

I mentioned earlier the problem of East-West trade. This will continue to play an important part in trade policy. We have had some experience, as Canadians, in so-called East-West trade, and the importance of this trade is growing from year to year. Mainland China, the U.S.S.R. and the state-trading countries of Eastern Europe are becoming increasingly significant in the world trading pattern. Certainly they are important customers for us in Canada.

In my experience, the markets of the state-trading countries are difficult to cultivate. Their willingness to buy is often limited by the preoccupation of their governments with achieving bilateral balances with their individual trading partners in the West, as well as by their shortage of foreign exchange.

And, of course, the working out of trade agreements with these countries presents rather different issues from the development of trade policy with open-market economies -- in which we acquire for Canadian exports the right to compete on an unlimited scale with domestic producers once the tariff hurdle is cleared. However, it is becoming evident that, in some of the state-trading countries, progress is being made towards more of a market-type system and, therefore, the problems that have hitherto existed in trying to work out trade arrangements between state-trading countries and countries with a market economy may be eased.

But I should predict that, as regards Canada's own arrangements with these countries, the pattern of the last ten years is likely to be followed for the next ten. This means, for certain of these countries, trade agreements involving the grant by us of most-favoured-nation tariff treatment for a fixed period of time, as against a commitment from them to purchase a minimum quantity of Canadian goods. For others, there will likely continue to be purchase contracts for wheat and perhaps other Canadian products, involving, on our side, obligations to supply and to provide credit guarantees. It is likely that, as an area of trade policy, this aspect of our trading relations will become more complex and certainly, for anyone in Ottawa involved in these negotiations, more time consuming.

In a general way, I think that is about all it is useful to say about trade policy after the "Kennedy Round". We are, after all, still at a very early stage in thinking out what our policy guidelines should be. You may think I have given you little more today than a list of problems and a list of prospects.

Of course, even this list of problems and prospects does involve making certain assumptions. It assumes, for example, that Canada, along with other major industrialized countries (and most importantly the United States), will continue to devise and apply successful policies for economic stability. It assumes that we shall continue to manage the business cycle. It assumes too that we shall find agreed international solutions to monetary questions and that we shall put in place agreed machinery to create additional liquidity in the payments system when it is evident that more liquidity is necessary. Somewhat closer to home, it assumes that we Canadians shall be able to remain competitive in an increasingly competitive world. Obviously we are going to have to give much more attention to measures to increase productivity and to be sure that our Canadian costs don't advance more rapidly than costs in our potential export markets.