

without resorting to debilitating import restrictions. Constructive moves to the same end have also been made, as you know, in Western Europe. But the key to the problem is in North America, and more particularly in the most powerful and richest country, and the greatest market in the world, the United States.

"Last month I accompanied our Prime Minister, Mr. St. Laurent, on his visit to Washington when he placed before President Eisenhower our views on these international economic problems. We emphasized in very plain terms our fear that political co-operation and collective security did not rest on adequate economic foundations. We stated our opinion that steps should be taken as a matter of urgency towards removing restrictions and permitting an expanding flow of international trade. We pointed out that, for obvious reasons, no steps along these lines could be successful unless there was a ready and co-operative response in the United States. We expressed the opinion that unless collective effort in which all countries assume the roles and responsibilities which are appropriate to their circumstances, is made to change the direction of affairs, it is unlikely that countries pursuing these policies will find their way back to freer trade and currency convertibility.

SELL MORE TO U.S.

"If a forthright response comes from the United States, other countries would be immeasurably encouraged to move in the direction of freer trade and an expanding economy. But, if the response is not encouraging, it is difficult to see how these other countries will be able to put through the measures which are needed in order to achieve the desired political and economic results. As our Prime Minister said in Washington, if the other countries are expected to adopt measures to make themselves more competitive, they must be in a position to sell more to the United States.

"From both a psychological and a practical point of view, perhaps the single most important step which the United States might take would be to reduce barriers to trade, in particular through a further reduction of tariff levels. The rest of us must be prepared to follow that lead or we have no right to talk about what the United States should do. If, however, we do not act together to this end we will soon reach a 'peril point' which it would be folly to ignore.

"We hope there will be real opportunities before very long for the downward adjustment of world tariff levels. Existing tariff concessions under GATT are bound only to the end of this year. It will soon be necessary formally to consider how the life of these concessions is to be extended or renegotiated. This would no doubt provide a most suitable opportunity for a fourth round of general tariff negotiations. If it were possible for

the United States to play a full part in such negotiations, a significant increase in trade among the free countries might be achieved, and the foundations of political co-operation would be greatly strengthened. Otherwise, the tendencies and trends in the other and wrong direction will increase and bad results will surely follow; political as well as economic.

"Our political security and our economic well-being are interdependent. Short-term solutions which fail to take account of the real world we live in could jeopardize both. While quick to take advantage of any genuine easing of international tension, in our plans we have to think of the cold war not as a passing phase that will come to an end in the next year or two, but as a shadow under which we may have to live and work for a long time. If this assumption turns out to be wrong, and I sincerely hope it does, if there is a genuine relaxation of tension between the East and the West which enables all of us to make substantial cuts in military expenditure, so much the better. But we would be foolish to base our plans on such hopes until there is concrete evidence of policy and action to support them; in such places, for instance, as Austria and Korea. The only prudent assumption for planning purposes - economic and strategic - is that the threat to our security - to our very existence - will be with us for many years to come...."

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ARMISTICE PROPOSALS: The following are excerpts from the address by the Secretary of State for External Affairs, Mr. L.B. Pearson, to the Canadian Club at Vancouver on May 27:

"The Canadian Government considers that the new proposals submitted last Monday to the Communists by the United Nations Command should -- if the Communists are acting in good faith -- provide the basis for an honourable and acceptable armistice in Korea. The Canadian Government, along with the United States, United Kingdom and other governments participating in the Korean operations, stands firmly behind these proposals, as fair and reasonable and in accord with the resolution of the United Nations General Assembly which was supported by 54 of its members. The Communists should not think -- or try to make others think -- that we are divided in this issue. We are not."

"As regards the recognition of the Communist Government in Peking, it would be unwise to adopt a firm or final position now. If the Chinese Communists agree to an honourable armistice in Korea which will end their aggression and bring about their withdrawal from Korea, and if they do not begin some other aggression in Asia, then we should agree that serious consideration can be given to the question of recognition in the light of all the facts. I certainly would not go further than that at this time, but I think we should go that far."