

The third of the urgent problems that I think we face now is, how to increase trade with the state-trading countries where the tariff is largely irrelevant. We have had some experience, as Canadians, in trading with these countries, and the importance of this trade is growing from year to year. Negotiations with these countries, of course, are carried on in a rather different way from what they are with countries that have conventional barriers to trade, such as tariffs. And the fault does not lie altogether on our side for failure to work out arrangements that promote trade. Many of these state-trading countries, as you know, believe much more in bilateral balancing than even some of the countries of the Western world. And their purchase decisions are not based solely on market considerations. However, it is becoming clear that in some of these countries progress is being made towards more of a market-type economy, and therefore the problems that have hitherto existed in trying to work out trade arrangements as between state-trading countries and countries with a market economy are being reduced. There is every reason for us to explore the possibilities -- and not only for governments to do so, but also for businessmen and financial institutions -- to use more initiative and more positive thinking in their dealings with these countries than hitherto.

A fourth point, the one most closely related to the subject of this conference, is -- how to maintain momentum for freer trade after the "Kennedy round". This conference has been analyzing the implications of closer economic relations among the Atlantic countries, and in particular the implications of free trade among these countries and others. I am not quite sure whether you have been concentrating more attention on the implications of a free trade area between Canada and the United States, or whether it has been on a North Atlantic basis. But at any rate this has been the general area of your discussions.

I would like to suggest that we should not confine our attention -- in thinking about the possibilities of freer trade and the methods of achieving freer trade -- to such broad arrangements as have been discussed here. I think that it is possible to contemplate arrangements which I believe will help to promote freer trade, and to achieve free trade in some aspects, by methods other than the establishment of more free trade areas. As a matter of fact, I suggest that this approach may suit Canadian requirements more than the entry into arrangements for free trade with either the United States or even with the North Atlantic countries as a group. I think Canadians have come to realize, however, that we must move towards freer trade, and that we have to contemplate quite different initiatives than those that have been employed in the past. We have come to realize how much more dependent we are on exports of manufactured goods than in the past. We have in mind for example, the much larger increase in trade in manufactured products than in primary products. Certainly, in Canadian statistics, this trend is being shown: the increase in our exports of manufactured goods has been very much greater than the increase in exports of our primary products.

Our principal problem, which is recognized in all these discussions, is that we must get better access to markets for a wide range of manufactured goods, and in order to achieve this we undoubtedly must move towards greater specialization. The automotive agreement, of course, was an example of an approach along these lines. I believe this has puzzled many people, including some economists. But it is producing the type of results that I believe economists would regard as useful: namely, that there has been increased trade, increased specialization,