

probably the emergence of varying degrees of inflation. In some countries of the free world raw material shortage and inflation have caused new balance of payments problems and these in turn have given rise to new barriers to trade. The unfortunate result of trade barriers is the inevitable encouragement they give to inefficient production. They tend to decrease the total productivity of the free world which can be devoted to the combined needs of defence, assistance to under-developed countries and civilian consumption.

We can ill afford these artificial barriers to efficient production and international trade during the present situation when, as I have said, the emphasis must be on maximum productivity. We must continue the integration of the economies of the free world. This was the intention which we in Canada had in mind on a regional basis in pressing for Article 2 of the North Atlantic Treaty - the article on economic co-operation among North Atlantic allies. I suggest that the extension of this principle to all free countries be maintained and made more effective.

I mean by this last statement that during the period of partial peace the commercial policies of free countries trading amongst themselves should, as far as possible, provide for a continuation of the progress already achieved in realizing the liberal policies envisaged by the General Agreement on Tariffs and Trade. We should continue the tedious but rewarding task of reducing trade barriers and keep the ultimate goal of a large free world trading area constantly before us. To this end we should encourage, for instance, the production of defence goods where they can be made most cheaply - and, of course, most quickly. Wherever strategic factors allow, new industries should be developed in areas where their existence will be justified when the present period of tension ends so that they may be fitted easily into a peaceful world economy.

This, to me, is the meaning of economic co-operation between countries of the free world. It is the policy of maximum efficiency, maximum production, and finding the way to minimize the impact of defence requirements on civilian standards of living.

I have touched on only the fringes of this problem of international trade in the world of today. It is a dual problem. On the one hand, it involves trade relations with our friends and our desire to deepen and widen those relations. On the other hand, it involves trade relations with those who refuse to co-operate with us, and our determination, while not cutting off all trade with them, to ensure that such trade will not increase their capacity to do us harm.

The effective and successful pursuit of this dual policy will demand by our own and by friendly governments, qualities of wisdom and steadiness, as well as a long and enlightened view of our own best interests.

I hope that our foreign trade policy will be based on those qualities, and thereby will make its vital contribution to the economic strength of the free world, which is one of the foundations of peace.