

Canadians are very prone to criticise the tariff policy of the United States, but we are in bad taste if we are not willing to make some concession ourselves in order to help the world move in the direction of freer trade on a multi-lateral basis.

The N.A.T.O. nations can best eliminate conflicts in their own international economic policies if they will take the lead in policies which will bring about a balance in international payments without recourse to governmental loans and grants from the dollar area. A balance can be achieved on a basis of restricted international trade. The non-dollar area could continue reducing its present policy of imports from the dollar area by increasing tariffs, restricting exchange and clamping on quotas on imports, but this would be a policy fraught with grave danger to the entire economic system of the free world. Balance must be achieved on the basis of an expanding rather than a shrinking international trade.

The obligation of the non-dollar area is to control internal demand and price levels, and increase their efficiency of production so that their export products will be more competitive in dollar areas.

The obligation of the dollar area—and particularly the United States—is to make it possible for the non-dollar area to earn enough dollars to pay their own way. Specifically the dollar area needs to lower its tariff structure still more and to remove as much as possible all other impediments to importers. They can also assist by continuing and expanding their technical and financial assistance to under-developed nations. Investments in foreign lands would help some, but it is unlikely that this would be an important factor in view of the international political situation.

Once a balance is obtained the next objective should be to take steps to reduce year to year instability in international payments. Should it be necessary to have further governmental stock piling by the free nations more co-operation and planning between governments would help to prevent violent changes in demand for raw materials.

As an aid in long term stability of international payments we believe an international agency to handle agricultural surplus products would be of considerable help.

That concludes my brief.

The CHAIRMAN: Do honourable senators have any questions to be asked of Dr. Hope?

Hon. Mr. HAIG: Dr. Hope, is it possible to reconstruct the NATO world without bringing the countries within that organization up to a common standard.

Dr. HOPE: No, not exactly. The difference of efficiency in production is a factor. A nation that is more efficient in its production processes can have a higher standard of living than a nation which is less efficient.

Hon. Mr. HAIG: But if I in Canada am efficient and can produce cheaper than in the United States, I can sell my product cheaper on the world market.

Dr. HOPE: Yes.

Hon. Mr. HAIG: If I work forty-eight hours a week, while you in England work only forty hours, you cannot hope to compete with me.

Dr. HOPE: That is another factor. But it is true that with the basic difference in efficiency of production, you can still have a balance of trade. That is true even though a country like Japan may have a very low standard of living, while ours is high. Its differences in efficiency could compensate for the difference in price levels.

For instance, Bretton Woods decided to fix exchange rates, and that immediately caused trouble. It may seem strange to hear me criticize a body of experts, but I recall very well when the Bretton Woods Agreement it was