

nation vitally dependent on export trade, we must search out normal market opportunities wherever they occur. And we believe that trade can make a real contribution to better general relations with countries which do not share our political beliefs. In co-operation with our partners in the Western alliance we prohibit the sale of strategic goods to these destinations and we see to it that U.S. goods do not reach prohibited destinations through Canada. But we are convinced that it makes good sense to develop mutually advantageous trading connections in peaceful goods with all countries and areas, including Communist China.

The development of trading opportunities with countries with a centrally planned economy presents special problems. It would be a mistake to assume that there is a vast unsatisfied demand, that these countries are just waiting to buy everything we are prepared to sell. The development of trade in peaceful goods with the Sino-Soviet bloc will only be realized through hard work and perseverance. They are discriminating buyers and tough bargainers. They suffer some of the handicaps of any big and bureaucratic organization and these must be penetrated. It is not easy to establish direct contact with the ultimate buyer and user. However difficult it may be, and however slow and frustrating the efforts to sell in that vast continent, I sincerely believe that, for reasons of long-term self-interest, both political and economic, the effort is well worth while. In this area of trade there is always the possibility that changing political circumstance can accelerate or retard the process. This is a fact of life which must be recognized and taken into account. But over the long haul and in the interests of world peace, I am satisfied that the course of establishing closer understanding and more intimate contact must be patiently pursued.

In the Pacific area, Australia and New Zealand are, of course, of key importance in Canada's Commonwealth trade. The volume of sales in these traditional and long-standing markets has risen from \$61 million in 1954 to \$180 million in 1964. As both Australia and New Zealand have moved forward in their industrialization, we have found the need to adapt ourselves to their changing market needs. And this process has not been without problems for some of our suppliers. The recent decision of Australia and New Zealand to join together in a free-trade arrangement between themselves will, no doubt, call for further adjustments. But I trust that the arrangement they are to work out will provide an impetus to further economic expansion and with it increased demands for the goods we are able to supply. I know that New Zealand and Australia, both of whom are world traders and have important stakes in the North American market, will be bearing our trade interest in their market closely in mind as they move ahead.

We in Canada have been able in these markets to develop a broad diversification of trade - to test the muscles of our manufacturing industry in competing overseas as well as to supply needed materials. These are valued trade ties. I am fully aware of the sensitivities of our American friends to the fact that in certain goods we have special advantage in these markets through tariff preferences and that we accord such preferences in return. But it is to be remembered that for value received, we and other Commonwealth countries, through multilateral negotiations, including negotiations with the United States, have been prepared to reduce preferential margins in Commonwealth trade. We would expect this process to continue in the current round of trade