

Nor have European countries or our own two countries depended upon tariffs to limit the impact of imports of certain manufactured products from new sources at highly competitive prices. This is the problem of "low-cost" or "disruptive" imports, which is being dealt with either by import quotas imposed by importing countries or export quotas negotiated with the governments of exporting countries.

A third example of commercial policy problems of our time that has little to do with conventional tariffs is how to trade with those economies of Eastern Europe and Asia in which exporters and importers are branches of the state.

Moreover, I am inclined to suspect that in the great modern market entities, such as the United States and the European Economic Community, the tariff plays a relatively small role in the shaping of the economy, or in the solving of real trading problems. In these big mature economies it is much more a taxing device.

But what about the role of protective tariffs in the smaller economies, such as, say, Canada and Australia? These countries have small national markets with industries which have been stimulated over the years by protective tariff systems. In such countries the tariff has a more decisive impact on the industrial structure and the allocation of resources.

In Canada, for example, our population is too small to provide large enough home markets to support the optimum scale of production for quite a wide range of manufactured products. At the same time, many of our potential export markets are fenced off by protective tariffs, so that we are often denied the foreign sales that for us, as distinct from the United States or the Common Market countries, we must have to manufacture competitively.

Canada has been a member and firm supporter of the General Agreement on Tariffs and Trade since its foundation. A nation so dependent on foreign trade must try to ensure that world trade is conducted on as wide and as free a basis as possible. It is easy enough to state this general orientation. The real problem is how to continue to move in this direction in a realistic manner. I believe it is important that in the "Kennedy round", and in future trade negotiations, we ensure that the particular problems of the smaller economies are adequately taken into account. This is an objective we should share in common. Canada is still the United States' largest market. Our mutual interest lies in finding methods of freeing trade in which Canada can participate enthusiastically - methods which fit Canada's circumstances.

In devising our approach to tariff negotiations, we have always shied away from any simple mathematical formula. We adopted a more selective approach to the "Kennedy round" than the United States did, and I expect we shall continue to favour the selective approach to tariff cutting in the future simply because this enables us to participate more effectively in negotiations.