

organized under the General Agreement on Tariffs and Trade since the end of the war, the industrial world has made remarkable progress in tariff reduction. However, the traditional GATT technique, of bargaining one tariff concession for another, item by item, had pretty well run its course when President Kennedy sought and obtained in 1962 unprecedented powers to reduce the United States tariff. These enabled the United States to propose a new and dramatic approach to the current tariff negotiations which have come to be known as the "Kennedy round". The item-by-item bargaining was replaced by across-the-board cuts.

These negotiations are reaching the crucial stage. I hope they will result in a very substantial liberalization of world trade. Certainly the Canadian Government is doing its part to achieve this.

The "Kennedy round" is not confined to tariff negotiations; other barriers to trade are also at issue. A serious attempt is being made, for example, to try to negotiate an international convention governing the application of anti-dumping duties. This is obviously a matter of great importance to Canada, and of course to our trading partners. Accordingly, we are taking an increasingly active part in this, as indeed, we are in all the other issues under negotiation....

#### AFTER THE "KENNEDY ROUND"

What will the trading world look like after the "Kennedy round"? I think we will be faced with three basic questions of major importance. First, how to accommodate ourselves to the regional groups such as the European Economic Community and the European Free Trade Area and to the prospect that Britain and other EFTA members may join the European Economic Community. A successful "Kennedy round" will, of course, ease the effects on us and other countries of British entry. Much of the recent discussion of freer trade has been an attempt to come to grips with this problem.

Second, how to meet the increasingly urgent needs of the less-developed countries for increased export earnings. In the United Nations Conference on Trade and Development, and in the GATT, these countries have pressed for special tariff preferences in our markets. They believe these new preferences would help them sell their manufactured products in greater volume and at higher prices. They have also pressed for international agreements to increase and stabilize their earnings from primary products. On the basis of Canadian experience, I am inclined to doubt that new tariff preferences would be of much assistance to developing countries. On the other hand, I doubt that if all of us scrapped our protective tariffs on goods imported from developing countries, there would be many very serious problems of adjustment for our own industries. The real difficulty facing most of the developing countries is that their industries, by and large, are simply not efficient enough....

#### TRADING WITH STATE-TRADERS

Third, there is the question of how we are going to trade with 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....

#### NEW LOOK NEEDED

So I come to the nub of the matter - a new and radically different approach to the reduction of trade barriers. I think we and the other industrial countries should begin to look at complete sectors of industry where tariffs can be removed completely, or very substantially lowered. The competitive weakness of many Canadian industries is due not to bad management, outdated techniques or inadequate equipment. Where weakness exists it can most often be traced to an inadequate scale of production. Other countries' tariffs tend to confine many of our firms to the relatively small Canadian market, where, in turn, they can carry on because of the Canadian tariff....

But I should not want to leave the impression that when I think of industrial sectors in which the major countries should move toward free trade I am referring only to those in which Canada appears to have a clear competitive advantage over other countries. The gains from trade accrue to the buyer as well as to the seller, and I look upon the interests of the consumer as being just as important as the interests of the producer. Moreover, in many of the sectors where we appear to be uncompetitive today, our position could be transformed if we had easy access to foreign markets, including the United States. We should, however, need to have carefully planned transitional arrangements and effective methods of easing the adjustments which would be so much greater for many of our industries than for those of the larger countries. In both these respects, we have been gaining valuable experience from the automotive programme.

To be in favour of a world-wide approach to freer trade is to be in favour of a reduction of trade barriers between Canada and the United States. For Canada, the United States market will remain the most valuable and the most accessible. In the "Kennedy round" of tariff negotiations the principal test of success from Canada's point of view will be