

as they approach zero levels, countries will be tempted to depend more and more on subsidy techniques, on safeguard or emergency mechanisms, on rules about government procurement and on such measures as countervailing duties. There is, clearly, a need for internationally agreed rules to limit the use of such devices.

One of the important considerations we have to keep firmly in mind in formulating industrial policy for the future - as has always been the case in the past - is the economic relation between Canada and the United States. It is now evident that reconciling of the economic and political objectives of the two countries may be more difficult in future than has been the case during the past quarter-century. The measures adopted last year by the United States in an effort to strengthen its own economy, such as the DISC program and the job-development tax credit, undoubtedly raise questions about the extent to which U.S.-based multinational companies in Canada will expand their capital investment and production in this country. The DISC program will almost certainly result in increased competition from the U.S. firms in our domestic market overseas. It may also reduce the scope for the international rationalization of production by U.S. subsidiaries based in Canada.

The recent decision by the U.S. Administration to join with the EEC and Japan in issuing a "declaration of intent" to seek new multilateral negotiations is a most helpful sign. We have supported it. It is clearly implicit in this declaration that the United States will be prepared to negotiate some reductions in its barriers to imports. If substantial negotiations take place, they will offer important opportunities to improve the terms of access for Canadian manufactured goods. I have in mind not just reductions in U.S. import barriers but also reductions in the import barriers of the enlarged EEC and of Japan made possible in a broad multilateral negotiation.

But we still need more evidence that the declared intentions of these countries are real and that they are prepared to negotiate on non-tariff barriers as well as tariffs. In the months ahead, Canadian representatives will be pressing for adjustments in import policy by the new European Community to offset the impact of the enlargement of the Common Market. They will be pressing Japan to begin to open its markets to semi-processed and finished products. We shall, I am sure, be busy talking trade with the United States.

Looking further ahead, we shall have to ensure that any gains in improving the world trading system are not negated by international balance-of-payments problems or by attempts by some countries to maintain unrealistic exchange-rates. Until recently, a number of countries were, in fact, maintaining unrealistic exchange-rates and there is no doubt that we in Canada have benefited from the determined leadership of the United States Administration, and particularly of Secretary John Connolly, that brought about the adjustments of last December. We recognize that the Smithsonian agreements are only a partial solution - that further steps are necessary to achieve a more lasting reform of the international monetary system. We are ready to participate in this work. We regard international monetary reform as every bit as important as the need for new initiatives in the trade field.