as far as I can see, those segments of service industries involved in international trade are also highly specialized. The process of specialization would require a higher degree of concentration in the manufacturing sector, which is already highly concentrated. Thus the free trade proposal, paradoxical though it seems, would conflict with the thrust of the proposed competition policy which this parliament will debate in 1976.

We should also consider the serious implications for the Foreign Investment Review Agency—but let us not deal with that at this time.

The process of manufacturing specialization in a branch plant economy such as Canada's will encounter an even more severe problem in the form of United States anti-trust laws since these laws apply to the subsidiaries of U.S. corporations operating in other countries, including our own. We are said to have a comparative advantage in high technology industries yet a cursory perusal of Canada's trade figures throws a great deal of doubt on that statement. These industries seem to be performing poorly in foreign markets, and are only just holding their own, if not slipping, in the domestic market.

We must also consider that a substantial decline in employment in the manufacturing sector, compensated by a sharp increase in the share of aggregate employment accounted for by the service sector, could result in a marked deterioration in the productivity potential of the economy. Indeed it is possible that the initial productivity bonus stemming from specialization as the free trade model predicts, could in reality be completely offset with a time lag involving a lower trend in growth and over-all productivity. The massive industrial restructuring which would be required to maximize the potential benefits of free trade could not, I believe, take place in as orderly a manner as seems to be assumed by the Economic Council of Canada. This could not happen, I submit, even if we consider a relatively long adjustment period. In my opinion the only way to debate seriously the option of free trade is in the realistic context that free trade should be introduced simultaneously by all developed countries. A unilateral move by Canada would be unthinkable.

I now return to the question of Canada and the developed world's trade with the underdeveloped world. This surely is one of the most important matters facing all countries of the world at this time, developed and underdeveloped.

Let us look at what has happened to Third World economies in recent times. The years 1970-73 were favourable to developing nations. High prices stimulated the export of primary commodities and earnings rose 25 per cent a year, while imports increased only 20 per cent. So both corporate and government income in these countries went up; but at the same time Third World incomes continued to fall behind those of the advanced world, as 60 per cent of developing countries failed to maintain their per capita rates of agricultural production.

Agricultural output declined, despite the "Green Revolution". New and greatly improved types of grain need more water, making these societies more dependent on the weather than ever. They also require more petroleum-based fertilizer, which rose in cost 13 per cent per year between 1967 and 1972. Meanwhile the advanced nations were furiously trying to increase their own food output, further squeezing the world fertilizer market. The OPEC oil price increases dealt the Third World's increasingly mechanized agriculture another cruel blow.

So even in good years Third World agricultural production did not prosper. But what about manufacture?

Here the figures show that there was hardly any change in the real relative position of the developing countries in the world market. In 1960 they had 6.7 per cent of the total world manufacturing output; in 1970 they were still at 6.7 per cent, and in 1973 they reached 6.8 per cent. Since then they have been disastrously hurt by the current recession—the New York *Times* recently put their combined payments deficit at $35 billion for 1975—and have already lost their 0.1 per cent increment.

But these figures, as bad as they are, make reality too pretty. The Third World's share of heavy manufactures is less than 5 per cent and is dominated by a few products—clothes, consumer electronics, shoes—and a few low-wage havens like Taiwan, South Korea, and Singapore. Moreover, even during those good years of 1971-1973 the rapid accumulation of reserves in the Third World did not offset their external debts. The former rose from $1.8 billion to $8.8 billion, the latter from $7.9 billion to $15.7 billion.

● (2020)

In sum, even under the best conditions there has been no relative improvement in the position of the Third World in the world agricultural or industrial markets. Those best of conditions seem to be now over for the foreseeable future; the pattern of absolute per capita decline will once again take over.

Why does reality thus violate the Ricardo-Kissinger theory? My answer relies heavily upon the work of some Third World economists, most notably Sami Amin. The theory has been called "the development of under-development." It holds that current forms of economic growth in the poor nations serve to intensify the structural conditions of their backwardness and, under present world market conditions, the Kissinger strategy will only institutionalize, not abolish, the inferior Third World position within the global economy. That could be a catastrophe for all of the free world.

Let us take one country, as an example, Gabon. Its per capita product today is roughly that of France in 1900, but its position clearly is different. France then possessed a developed capitalist infrastructure in which growth generated more growth, and it was competing in a not fully developed world market. Gabon, on the other hand, is a developed underdeveloped country in which the "spread effects" of internal growth are systematically and structurally limited, and whose fate is determined by an international division of labour that puts it at a disadvantage.

Let us look at some of the details. In the developing countries there is a vast labour reserve, either in the rural areas or the shanty towns, while we tourists hide in the hotels or on the beaches so we are not seen. This mass unemployment grew up under conditions of "urbanization without industrialization", which means that wages are low. In Europe, during the transition to capitalism, the artisans who were dispossessed by the new technologies became workers; in the Third World they became the