

The lesson from this is clear. If no significant moves are made towards liberalizing trade on a broad and freer basis, those who wish to replace our economic system by one in which the state controls everything will be given support and encouragement. So we must strive - on both sides of the Atlantic - to strengthen our economic defences and build up maximum economic strength by liberalising and widening trade.

Some of the disadvantages in the present situation are by no means theoretical or remote. As exporters and importers you must be conscious of these in your daily business. I am sure you all know of export-import agencies which have profited from trade in goods which in conditions of a free market would never have moved in the same direction and probably would not have crossed frontiers. We have seen that, as restrictions grow and harden, the world market has tended to become split up into separate and exclusive compartments within which more and more manpower and equipment gets tied up in producing the wrong things.

Conscious of the harmful economic and psychological effects of trade and exchange restrictions, we in Canada were heartened by the results of the Commonwealth Prime Ministers' Conference last December. While we recognize that these problems cannot be solved by Commonwealth action alone, the fact that the United Kingdom and other sterling area countries showed such real concern about the serious harm that restrictions were doing, and such a genuine desire to remove them, was encouraging. Stress was laid on the need for Commonwealth countries to carry out domestic policies - sometimes difficult - which would curb inflationary tendencies, and would enable them to balance their international accounts without resorting to debilitating import restrictions. Constructive moves to the same end have also been made, as you know, in Western Europe. But the key to the problem is in North America, and more particularly in the most powerful and richest country, and the greatest market in the world, the United States.

Last month I accompanied our Prime Minister, Mr. St. Laurent, on his visit to Washington when he placed before President Eisenhower our views on these international economic problems. We emphasized in very plain terms our fear that political co-operation and collective security did not rest on adequate economic foundations. We stated our opinion that steps should be taken as a matter of urgency towards removing restrictions and permitting an expanding flow of international trade. We pointed out that, for obvious reasons, no steps along these lines could be successful unless there was a ready and co-operative response in the United States. We expressed the opinion that unless a collective effort in which all countries assume the roles and responsibilities which are appropriate to their circumstances, is made to change the direction of affairs, it is unlikely that countries pursuing these policies will find their way back to freer trade and currency convertibility.