

In looking at our prospects, and in considering our trade policy for the future, it is important to realize that, in the great modern economic entities such as the United States and the European Economic Community, the tariff after the "Kennedy Round" will play a relatively small role in the shaping of the economy or in the solving of real trading problems. In these big mature economies, the tariff is becoming more of a taxing device than a protecting device, and the real trading problems - the problems of trade in agricultural products, East-West trade, so-called "low-cost" import problems, and trade with the developing world - are dealt with by other means.

But, in the smaller but highly industrialized economies, such as Canada and Australia, the tariff has had, and will have, a more decisive impact on structure of industry and on the allocation of resources. It is essentially for this reason that, in formulating our approach to any tariff negotiation, we have always shied away from simple formulae. We adopted a more selective approach to the "Kennedy Round" than did the United States, the EEC and Britain, and I expect we shall continue to favour the more selective approach to tariff cutting in the future.

What I mean by this is that we are bound to concentrate our negotiating efforts on those products for which a significant tariff adjustment in markets abroad will give us the chance to move out of the confines of our small national market and to sell on the same continental or world-wide scale as do the industries of the United States, the European Community and Japan.

Let me give an example. One broad sector of production for which there is obvious scope for a better international division of labour, and scope for the expansion of Canadian exports and the related rationalization of Canadian production, is in forest products -- lumber, wood products, pulp and paper. And it is important to note that the great expansion of markets for these products will be in Europe and Japan.

Let me give another example. I believe that for all industrialized economies it would make a great deal of sense to provide for the free movement of basic materials -- for example, for a variety of chemicals, and for nickel, aluminum, lead and zinc. Related to this is the need to reduce barriers to trade in the secondary products of these base metals. I should like to see all the free world move to freer trade in these products -- primary and secondary -- in a concerted fashion. We should all gain.

What does all this mean for future trade policy? First, it suggests that for Canadians it will make sense to proceed, as I've said before, not according to formulae (under which head I include schemes for percentage tariff cuts or for complete free trade between groups of countries) but selectively, seeking deep tariff cuts or free trade in sectors of production where tariff changes mean new business. This approach has been called the "sector" approach. That is an accurate but not very fetching term. Second, it suggests to me that we must focus on world markets -- on the United States, our major customer, certainly, but also on the markets of Europe and Asia, the great growth markets of the next few decades. It means, too, that, as tariffs come down, we should begin to look more closely at other devices which impede or divert trade. You will all have examples in mind. Some that occur to me are the covert and obscure