

Obviously the system is a good "gimmick". The technique offers great possibilities. But it is not a panacea. Each case must be studied on its own merit, taking into account the particular characteristics of the commodity involved. In some cases (e.g. oilseeds), the difficulty could lead to the use of substitutes, in others (e.g. rubber), it is the risk of encouraging the development of synthetics which would limit the volume of the natural products traded internationally. In still other cases, where world trade in a commodity is growing very rapidly (e.g. iron ore), a formal agreement might stimulate vast surpluses, encourage inefficient production, or discourage new investment ventures, depending on the price level fixed.

Needless to say, in assessing the need for such agreements, Canada must take into account its own industrial development interests, its competitiveness by international standards, and the conditions of trade in the world market. I think I've demonstrated that our conduct has to take into account the interests of the developing countries.

2. MANUFACTURED PRODUCTS

Developing countries cannot be left to primary exports. They are also entitled to industrialize.

Because of the limited size of domestic markets in most developing countries and because of the relatively weak purchasing power even in countries such as Brazil, industrialization cannot proceed on the appropriate scale and with the necessary specialization unless the countries can sell their manufactures in world markets.

Developing countries also have to find new market opportunities in industrialized countries in order to obtain foreign-exchange earnings to pay for their growing requirements of industrial equipment and capital goods from abroad.

If this could be brought together it would accentuate the trade flows.

A) Regional blocs

What are the techniques available to increase trade flows? The formation of regional markets is a technique often used to achieve the benefits of rationalization and large production scale.

Canada has taken a generally positive position towards the formation of customs unions or free-trade areas among developing countries (e.g. Latin American Free Trade Area, Central American Common Market, Caribbean Free Trade Area). We have been anxious to ensure, however, that these regional trade groupings remain outward-looking and are not used simply to extend national import substitution policies on a regional or a non-competitive basis.

Canada is not attracted by the formation of special regional trading arrangements encompassing developed and developing countries of the northern and southern hemispheres. For example, we are concerned about the proliferation of special preferential trade deals negotiated by the EEC with a large number