Trade relations between Canada and Kenya are governed by GATT as there is no bilateral trade agreement between the two countries. Canada accords Kenya preferential tariff treatment, while Kenya grants Canada most-favoured-nation tariff treatment.

Canada has traditionally had a moderate trade deficit with Kenya. In the period 1967 to 1970 this deficit averaged $3.8 million per annum. However, in 1971 there was a trade surplus in Canada's favour of something over $3 million brought about by aid-financed sales of railway equipment valued at over $5 million.

Canadian commercial penetration of the Kenyan market leaves wide scope for improvement. In 1970, for example, Canada sold only $1,500,000 worth of goods to Kenya; whereas Japanese exports were valued at $42.6 million and U.S. exports at $33.3 million. Moreover, neither Japan nor the U.S. benefits from the advantages accruing to the EEC under the terms of the ARUSHA Agreement.

While there exists a strong European orientation to Kenyan trading relations, as exemplified by the country's present trade patterns and the association agreement between the East African Community and the Common Market, there is no reason to be pessimistic about the future for Canadian trade and economic activity. Investment possibilities are particularly well worth exploring. Again it would seem that an aggressive trade promotion policy might pay off handsomely in the years to come.

The role of leadership in developing countries cannot be too strongly emphasized. Kenya has its share of bright, intelligent and aggressive leaders. Dr. Jomo Kenyatta, the president, has a long history of courageous and resourceful promotion of the interests of his people. We had the good fortune to have an hour with Dr. Kiano, Minister of Trade and Commerce. This man is a highly intelligent, alert and aggressive individual. He started out by getting a scholarship to attend Antioch College in the United States and went on from there to graduate with a PH.D. in economics from Stanford. It just happens that the trade licensing for Kenya comes under this minister's department and there is a constant lineup of people outside his door, applying for business licences of one kind or another. I said earlier that there is some concern about the possible over-rapid Africanization of the country's businesses. It is most interesting to note that when the government decide to take over a European-owned business, they give the original owner six months' notice to quit and then they work out a basis of compensation and proceed to take over the operation.

The Africanization program is causing some concern in the European section of the population. That, plus the tribal conflicts and a feeling that the change from colonial rule under the British to black rule under Kenyans, has just been a change from one type of master to another, and some people are beginning to compare the two to the detriment of the blacks. This may be unfair, because in a changeover of the magnitude which has taken place in that country in a period of ten years, the black ruling elite have made remarkable strides.

An interesting sidelight on the situation in Kenya was given in an International Labour Office report which appeared in the local papers just within the last few days. This report recommends a series of sweeping nation-wide

[Hon. Mr. Cameron.]

reforms and goes on to say that, if delayed, the lack of reforms could endanger the stability of the country. The report acknowledges that implementation will be tough because "the report will be sure to offend important sectional interests." However, the fact that the government published the report and made it widely available is one indication of the measure of freedom which exists in the country and this tends to point up the underlying strength of the country and its institutions. A well-known diplomat said that few other nations in Africa would have the guts to commission such a critical study, not to mention publish it when it was completed.

The report takes note of Kenya's excellent annual growth rate of around 6 per cent but adds "unemployment and growth inequality continue and in some respects may even have increased."

Only a select group of people, civil servants, manufacturers and those Kenyans who filled high level jobs previously held by expatriates, or who took over white farms, benefited from the country's rapid economic growth. This same elite has got a grip on the education system, while the poor are finding it increasingly difficult to give their children the necessary schooling needed to break out of the cycle of poverty.

The report suggested a series of changes in government expenditures to remove regional or tribal imbalance. It said:

● (1440)

> Unless strong measures are taken to reduce the impact of these inequalities, the frustrations and resentments they engender could be a real threat to the nation's stability, particularly if allowed to interact with tribalism.

Among the recommendations were: One, a liberalization of transport and trade licensing practices to allow a wider participation in this sector. Two, a new income tax system and wage policy which would give gradual increases to the lowest paid workers but freeze for five years the wages of medium and higher paid employees. Three, a tribal quota for filling civil service jobs to reduce the overwhelming advantage enjoyed in this sector by the Kikuyu Tribe which, as I indicated earlier, is only 20 per cent of the total population. Four, a series of measures to provide greater education and health services, and road, water and economic benefits to the rural peasant who is depicted as the most underprivileged person in Kenya.

Implementation of such sweeping reforms carries the risk of offending important sectional interests, but the cost of dealing with the problem may be much higher once they pass the threshold of what is considered tolerable since the opportunity of dealing with them by rational and consistent methods and by national consensus may be greatly lessened.

The Republic of South Africa encompasses 472,000 square miles, and has a population of more than 22 million and a gross national product per capita second only to oil-rich Libya. It is the most highly industrialized country on the African continent and, from an international trading point of view, the most important.

South Africa's economic and industrial development during recent years has been rapid, and with its manufac-