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A WORLD-WIDE APPROACH TO FREER TRADE

The following is a partial text of a recent address by Mr. Mitchell Sharp, the Minister of Finance, in Vancouver, British Columbia:

...We stand on the threshold of great developments and great opportunities in world trade, and it is of the utmost importance that we make the right moves in the interests of Canada, and of Canadians.

I begin, then, with this simple point. Many of the fastest-growing markets for our products are overseas. For example, much of the future growth of demand for pulp and paper will be in Europe and Japan, not in North America. If one looks at our economic potential, product by product, I think one is bound to reach the conclusion that a North American club is both a bit too exclusive for our taste and very much a second best in economic terms - that is, second best to freeing trade on a transatlantic and transpacific basis....

TRADE RELATIONS WITH JAPAN

Canada was one of the first Western countries to extend most-favoured-nation tariff treatment to Japan. This was in 1954. Since then, our exports to Japan have consisted almost entirely of food and unprocessed raw materials. Because Japan is not rich in natural resources, and because Canada is a very low-cost producer of grains, minerals and wood products, the Japanese have naturally turned to Canada for supplies of these and other low-cost primary products. Japan is now a highly efficient producer of manufactured goods, and requires low-cost supplies of raw materials in order to remain competitive in the international market place. While this trade has been very valuable to Canada, it could be even more valuable, both to Canada and Japan, if these primary products were processed in Canada to a greater extent. More smelting, refining and milling

of metal and petroleum products, and further manufacturing of lumber and wood pulp could add millions of dollars to our national income, particularly in this province.

One reason why Canada has not developed exports of manufactured products to Japan is that Japan's trade policy favours the imports of raw materials in their cruder forms, and imposes much higher barriers against manufactured products. Japan's manufacturing industries have developed since 1945 behind these protective barriers, and many of them are now highly efficient and competitive in international markets. The market in Japan for manufactured products is very large and it is doubtful whether Japanese producers any longer need to shelter behind highly protective barriers to trade....

FREE-TRADE AREAS ADVOCATED

It is trite, but true, that we live in a shrinking world; interdependence is no longer a slogan but a fact of life. Unprecedented prosperity in some areas co-exists with abject misery in others. We must give urgent attention to the interests of the less-developed countries. This is not only a moral imperative - it is also a recognition of our own interests. Poverty is a shaky foundation for peace. It is a precarious basis for the continuing prosperity of the more fortunate nations. These considerations lend urgency to the needs of these countries for aid and also for better access to the markets of the industrial countries.

These are some of the reasons why I question whether a limited free trade area is ambitious enough - or liberal enough - for Canada. I believe there are better ways of achieving our objectives.

Before I try to describe those better ways, let me remind you of what has been achieved in the past 20 years. In a series of multilateral tariff conferences