

These European regional developments could have far-reaching implications for Canada. First, and most obviously, they will have direct effects on our export trade. Canadian exports to the countries of the Outer Seven totalled \$884 million last year, representing about 20 per cent of our total exports; sales to the Common Market countries represented a further 12 per cent. What the actual consequences of the recent trade arrangements in those countries will be for Canadian exports in the future will, to a large extent, depend on the detailed nature of the arrangements: the height of the tariff, the use of quota restrictions, the agricultural policies which are adopted, and so on.

The test for customs unions and similar regional arrangements is whether they are trade-creating or merely trade-diverting, and this again depends to a considerable extent on the degree to which restrictive policies are adopted towards the rest of the world. If the present European groupings avoid narrow and restrictive attitudes in their external policies, it is possible that the result will be an expansion instead of a curtailment in trade opportunities for outside countries.

Secondly, the way in which the European trade groupings develop will inevitably influence the commercial policies of countries in other parts of the world. If they result in increased trade discrimination against Canada and the rest of the world, the development of multilateral trade, not merely in Europe, but in the rest of the world, may suffer a serious reverse. The commercial policies of countries outside Europe, including the United States, might well be influenced in a restrictive direction, and such a chain of events, once started, could go a considerable distance before it was stopped.

In this connection, I might also mention Article II of the North Atlantic Treaty, which commits member countries to collaboration in their international economic policies. Restrictive and discriminatory groupings, if they should develop, would not be in keeping with the letter of spirit of this obligation, and I am confident that our European friends and allies will also have this consideration in mind as they work out their new programmes.

For these reasons, Canada, in concert with other countries, has been trying to influence these developments in a trade-expanding rather than a trade-restricting direction, and I am reasonably optimistic that we will be successful. With the improvement in world economic and financial conditions in recent years there has been considerable progress toward the multilateral objective. I hope that countries will continue to work towards the establishment of an integrated world economy and not a series of independent and mutually exclusive systems.