

years as well as with last year. Nevertheless, we cannot be complacent about this situation. We must redouble our efforts to bridge this gap in our trade with the United States - both by greater direct exports to the United States and by greater surpluses in our accounts with the rest of the world. In the light of this trade relationship on the North American continent, our great concern to see an end of discrimination and restriction in world markets as a whole takes on new urgency.

So far as direct United States account is concerned there has been an encouraging increase in our exports this year of the order of about 10 per cent. We continue to watch closely the situation regarding restriction on our lead and zinc exports to the United States, and we are glad that agreement has been reached ending restrictions on the movement of Canadian oil to that market. A broader and more helpful - and more realistic - United States attitude on defence contracts and on strategic considerations in certain purchases has also improved the direct Canada-United States trade picture.

I should now like to consider briefly some of the recent developments in Europe which I know are of considerable interest to you. The European Common Market, grouping six important trading countries, is now a reality; the first steps have been taken towards the creation of a tightly-knit economic community of some 160 million people, with tariffs eliminated within the area, and a common tariff and common economic policy towards the outside world.

The United Kingdom and the other European countries which are not members of this Common Market last year tried to negotiate a 17-country European Free Trade Area which would have included the Common Market of the Six. These negotiations broke down and the Common Market countries have moved ahead on their own. Faced with this division in Europe, the United Kingdom and the other European countries have been closely examining alternative ways of protecting their trading interests.

The course which it now appears will be adopted is the establishment of a Free Trade Association of the countries known as "The Outer Seven" - the United Kingdom, Norway, Sweden, Denmark, Austria, Switzerland and Portugal. Plans for this Association have gone ahead very quickly, and it is expected that the first reduction of tariffs and quota restrictions within this group will take place on July 1, 1960. The main feature of this Association will be the progressive removal of tariffs on all industrial goods within the area over a ten-year period, with each member country setting its own external tariffs. Quota restrictions within the area are to be progressively removed, and special arrangements short of internal free trade are to be worked out for agriculture and fisheries.