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ECONOMIC AFFAIRS

As the year 1960 ran its course, the world industrial expansion that had started in 1958 began to slow down. Canadian exports rose in keeping with a general North American pattern, although there was still a large deficit on current account. Considerable attention was also focused on the outflow of gold from the United States. In Europe, where the boom started later, it has levelled off more slowly and during the past 18 months there has also been a massive increase in intra-OEEC trade.

New Economic Groupings

The development of new trade and economic groupings, which had begun in Europe with the signing of the Rome Treaties in 1957 and the Stockholm Convention in 1959, gathered a momentum that made the year one of the turning-points in the post-war economic history of Europe. In Latin America, too, there was an important further step toward regional integration when Argentina, Brazil, Chile, Mexico, Paraguay, Peru, and Uruguay, on February 18, 1960, signed a treaty establishing among themselves a Latin American Free Trade Association (LAFTA). The treaty has already been ratified by four of the signatories and will probably be implemented early in 1961.

The growth of regional economic groupings such as these, if they were based on inward-looking and restrictive trading policies, could create serious problems for countries like Canada. It has therefore been the policy of the Canadian Government to urge at all appropriate times that the participants, in their interests as well as our own, should not overlook the importance of pursuing policies consistent with the wider obligations of world multilateral trade.

In Europe, the seven members (Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the United Kingdom) of the European Free Trade Area (EFTA) concluded the ratification of the Stockholm Convention early in 1960, established the EFTA Council in Geneva and took the first steps in the removal of internal trade barriers, notably a 20 per cent reduction in the internal tariffs of the area. By October, when the EFTA Council of Ministers held its third meeting in Berne, it was becoming clear that the EFTA, born of the 1958 failure of negotiations for a general European Free Trade Area and established with the goal of bringing its members and those of the European Economic Community (EEC) into a single trading arrangement, had a life of its own and was a going concern. Finland, which wished to be associated with the EFTA, met with objections from the Soviet Union that it was able to overcome only at the price of a trade agreement with the U.S.S.R. which raised important issues for its future EFTA partners and for their partners in the General Agreement on Tariffs and Trade (GATT).