

Only about a third of our exports to Britain will continue to enter free of duty. Our industrial exports to Britain will face the common tariff, the margins of tariff preferences will disappear, and the competitive products of other countries will enjoy free entry. Agricultural exports will encounter an additional range of problems; not only shall we lose our margins of tariff preference but we shall be faced with the adoption by the British of the common agricultural policy, which involves levies on imports and other restrictions on trade.

...Britain is our most important customer for Douglas fir plywood and canned salmon; sales of these products to Britain amounted to \$30 million and \$21 million respectively in 1969. At present these products enter the United Kingdom free of duty and Canada benefits from a tariff preference against non-EFTA suppliers. The preference against the U.S.S.R. is particularly important in the case of plywood. Should Britain adopt the Community tariff for canned salmon and plywood, however, Canadian exports of these products would become dutiable, would lose their preferential tariff treatment *vis-à-vis* other countries and would face reverse preferences in favour of Common Market countries. On the other hand, our exports of lumber, which do not now receive a tariff preference in the United Kingdom, would continue to enjoy free entry under the Community tariff. Many of Canada's exports to Britain represent important "inputs" to British industry; in such cases, of which plywood is an example, it would be in Britain's own interest to secure continued duty-free entry for Canadian products. Canadian ministers and officials will continue to consult with the British negotiators on such matters of common interest as the so-called enlargement negotiations proceed.

As I have made clear, we are still at the negotiating stage. As the results become clearer and the effect on Canadian producers easier to measure, we shall have to assess the overall effect of the changes in British policy. The results will certainly have implications for the balance of our obligations to Britain under the General Agreement on Tariffs and Trade, as well as under our various bilateral trade agreements, but it is too early to state what changes will be required in British preferential access to the Canadian market. The general picture would be significantly altered, and for the better, if prior to the definitive arrangements for British entry coming into effect the trading nations of the world undertook a broad trade negotiation to achieve a further general reduction in barriers to trade. Such a negotiation could, at one and the same time, carry forward the process of trade liberalization and reduce the need for adjustments which might otherwise become necessary as a result of the enlargement of the Community. Clearly, any such negotiation requires the strong support of the United States Administration.

In saying all this, I do, of course, recognize that an economically strong Western Europe will be a growing market for a wide range of Canadian products, and there is no reason to believe that, in the long term, the broad direction of Western Europe's trade policies -- aside from agricultural policies -- will be protectionist. Indeed, in the postwar period, the direction of trade policy in Europe has been away from highly restrictive policies and towards somewhat greater freedom of trade. It is our view, therefore, that some of the immediate problems of adjustment for Canadian producers can and should be eased by arrangements for some of our more important exports and that such arrangements could benefit Europe as well as Canada.