

EXPORTS AND FOREIGN POLICY

(Continued from P. 2)

Australian Government was, therefore, most welcome, and I have also been greatly encouraged by the recent announcement at the meeting of Commonwealth finance and economic ministers that the United Kingdom has renewed its pledge to remove the remaining barriers against dollar-area exports as soon as possible.

"At the end of 1958 the United Kingdom and a number of major European trading countries announced that their currencies would henceforth be externally convertible. As a result, Canadian exporters are now able to sell anywhere in the world and accept payment in sterling or certain European currencies with the full assurance that they can convert such currencies freely into dollars....

"Canada's direct trade and investment relations with the United States are matters of immense importance to our whole economy. I cannot do more than touch on them briefly at this time. The recently published figures for the first six months of 1959 have aroused some concern at the continuing size of our deficit on merchandise account with the United States. For this period our trade deficit with the United States is \$415 million, compared with \$384 million in the first six months of 1958. The change is largely the reflection of the rapid development of our economy in 1959, and the consequent demand for United States imports. The deficit for the same period in 1957 was \$706 million, and in 1956 it was \$690 million, so that the figure I have given (\$415 million for the first six months of this year) must be compared with the earlier 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....

"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 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....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.

"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....

"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.

"....It is clear that the past year or so have been marked by the passing of what might be called the postwar world, and a new phase is beginning. Western Europe has largely completed its reconstruction after the ravages of World War II and has now reached a position of unprecedented strength and prosperity. The world's main trading currencies have been made convertible and the outlook for increased trade and freer payments has been greatly improved.

"The relative mildness of the three post-war recessions - none of which has really represented more than a pause before a period of even greater expansion - has given the international trading community confidence in the basic strength and stability of the world economy, as well as encouraging national governments in their moves to dismantle restrictive measures.