

success led logically on to the debate in the United Nations over Chinese membership. There, Canadian action was a key factor in opening the way for Peking to take the China seat in the Security Council and the General Assembly. And again, United States policy has since shown itself responsive to the same logic.

There could hardly be a better illustration of the Government's desire to diversify Canada's foreign relations than these changes in our relations with the Soviet Union and China. They have had an immediate effect on our trade relations with both countries. Canada's position, established earlier, as the first foreign source to which the Soviet Union looks to meet its wheat needs, has been confirmed. Now, through six commissions established under the Scientific and Technological Exchanges Agreement, Canada and the Soviet Union are working to expand trade in industrial goods. With China a rather similar development is taking place. Negotiations to establish a commercial air-service between Canada and China will begin shortly. In August, an exclusively Canadian trade fair will open in Peking, matched by Chinese participation in the Canadian National Exhibition in Toronto and "Man and His World" in Montreal.

The prospect is thus for an expanding and better-balanced trade with both the Soviet Union and China. But, on the most hopeful analysis, I would not expect this to be more than a useful element of diversification. I would not expect the sort of transforming effect on our trade patterns that the opening of the Russian and Chinese markets had on our grain trade. The two trading systems are more open to one another than ever before. But we still have a long way to go before we can sell with uniform success in the Chinese and Soviet markets. The Chinese and the Russians will have corresponding difficulty selling in ours. Whatever success governments may have in smoothing the way for expanded trade, the fact remains that these huge markets -- China especially -- will remain relatively poor. We can and will welcome expanded trade with them for its own sake. We can and will welcome expanded trade as an element in the general civilizing of East-West relations. Such improvements alone repay the work that has gone into transforming these relationships. But we cannot for the foreseeable future expect the present balance of our total trading relations to be much altered in consequence.

Obviously, the key trading relationships for Canada, in the future as in the past, will continue to be those within the developed industrialized world of Western Europe, Japan and North America.

To a country bent upon diversifying its markets, the new Europe which is emerging as a result of the enlargement of the EEC offers prospects of the first importance. The ten countries of the enlarged Common Market form the world's largest trading unit. Their total imports were valued at over \$70 billion last year. Getting on for \$3 billion of these imports came from Canada. The EEC countries last year took 17 per cent of our total exports, making the EEC our second-largest trading partner by a wide margin. Yet, despite its obvious importance, this is not a market in which Canada has been doing as well as it should. Our share of the market has, in fact, declined, and our exports have tended to continue to follow the older pattern