

ported over \$70-billion worth of goods from the outside world last year. Of these \$70-billion worth, over \$2,000,700,000-worth of goods came from Canada. This represented 17 per cent of our total exports and about half of our exports outside North America, making the EEC our second largest trading partner by a considerable margin.

Yet we can do much better. We shall have to do much better. Since 1958, Canadian exports to the EEC have increased greatly. They have not, however, kept pace with the increase in total EEC imports from the outside world. Our share of those markets has declined. Just as important, our exports to the EEC have not followed the trend in EEC imports toward manufactures and processed goods and away from primary materials and commodities. It is here, particularly in sectors of intensive technology, that we shall have to improve greatly.

It has not been easy to assess the fault for our difficulties in this category of exports to the EEC. Access has been a problem for a number of products, including some of interest to Canada. But this problem should not be exaggerated. By and large, the common tariff of the European Community is low. In spite of protective policies in the agricultural sector, the Community remains a large agricultural importer. Other world traders have done very well in this EEC market. Certainly the Americans have, with their export of sophisticated manufactures to the EEC, although they have been helped by their massive investment in Western Europe. Much of the difficulty probably lies with our industrial structures and trading habits themselves. We can't sell too well what we don't make, obviously. For this reason, we are thinking about our general policies toward the EEC very much in terms of policies on which we are working in other areas: energy policy, investment policy, industrial policy generally - including policy on secondary industry and policy on research and development - and other related policy studies. Our success in realizing our own potential could well be related to some extent to the EEC's success in doing the same thing. We should develop a degree of interest in this expanding but difficult market in keeping with its potential and with what we are doing, say, in the United States market.

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In recent years, we have been trying hard to develop closer economic relations in the field of sophisticated manufactured goods. We have sent technological missions and trade missions to Europe. We have had some good results. But now I think that we shall begin to get better results. I don't know if the Europeans have had the political will in the past to make the effort necessary. They may have been inhibited by reservations about the degree to which Canadian interests were nationally distinct, and about our wish to co-operate in the

future. Until recently, I doubt if we demonstrated this clearly enough to the Europeans to distract them from their preoccupations with internal consolidation. Both Mr. Pepin and myself have brought this to their attention in our visits to European capitals over the last year and a half.

HEAVY ADJUSTMENT BURDEN

Of course, we shall also be raising with them our export interests which have been adversely affected by Britain's joining the EEC: over 40 per cent of our 1971 exports to Britain of over \$1,300 million could now face more difficult entry. There are other issues as well. I won't document them here as you are familiar with them but you may be sure that they will be defended. Britain's entry into the EEC was a decision for Britain to take. While we welcome the EEC's success, the parties to enlargement must understand that the burden of adjustment thrown upon Canada is greater than that placed upon any other country outside the enlarged EEC. If EEC policies took a protectionist turn, there could be real damage to our trade. We have, therefore, been pleased to note the recent declaration of intent published by the United States and the EEC in which they make a pledge to enter into broad multilateral trade negotiations in about a year from now. If a new balance is necessary we want it at a higher not a lower level of trade.

So we intend to speak to the Europeans not only about the protection of our present interests but also to work now with them to develop our shared potential interests. We shall both benefit from outward-looking approaches and liberalizing tendencies in world trade, since our respective stakes in world trade are important. Closer relations will assist us both. Closer industrial ties would help.

In the end, of course, the possibilities of closer industrial ties are going to be only as large as the mutual interests and abilities of Canadian and European industry make them. We can't develop synthetic interests. I am convinced, however, that a closer examination of possibilities will reveal matters of ample potential interest, if the political will is there. I believe this is now more apparent on both sides.

Let me say, very forcefully, that there is nothing in what I've said which could be seen as being in any way "anti-American". Nothing I have said is intended to suggest that the closeness of our relations with the United States needs re-evaluation in the light of possibilities for closer economic relations with Europe. Indeed, it is because of the unusual closeness of our economic relations with the United States that we need energetically to explore the possibilities of other areas we may have underplayed. It is all the more necessary for us to do this in Europe now that Britain has joined the EEC.