

For this audience I do not feel that I need sketch in the historical background. In what I have called the bi-polar phase in postwar history the economic situation closely mirrored the political reality. The world was divided into two great trading blocs, East and West, with the Third World very much on the outside.

Today, trade between East and West is increasing rapidly. Exchanges in the fields of science and technology are multiplying. To a large extent this is a concomitant of the easing of political tension. But it is also a result of the growing interdependence between all the countries of the world, an interdependence that offers some small hope that we can look to an era when co-operation will replace conflict.

The Third World of the developing nations is being drawn more closely into the overall economic system, in large part by the program of international development assistance, to an increasing extent by the growing importance of the developing countries both as markets and suppliers.

The greatest changes, however, have taken place in the industrialized world of the Western nations -- an odd term for a grouping that includes Japan and Australia among others, the members of the OECD and the Group of Ten.

Until a few years ago, the United States enjoyed a predominant position in this grouping. In economic terms, the United States was a giant among mortals. This situation has changed radically. The enlarged European Common Market will have a larger population than the United States and its gross national product will be about two-thirds that of the United States, and likely to grow more rapidly. And this is only to talk of the Common Market itself. With special arrangements with most of the countries on the Mediterranean littoral and with former colonies of the member powers, the Common Market and its associates will encompass 45 per cent of total world trade.

More than a year ago, my colleagues in the Government and I became deeply concerned about a tendency, observable on both sides of the Atlantic, for the United States and the Common Market each to turn inward, raising the spectre of confrontation and trade war. Our concern was twofold: the collapse of the economic system and the trade conflicts that it brought about were among the root causes of the Second World War; closer to home, a trade conflict between the United States and the Common Market would leave Canada out in the cold, unable to join the Common Market for a number of reasons, not the least our interdependence in economic terms with the United States, unwilling to form a Common Market with the United States -- a course that would take us from interdependence to utter dependency in a very short time.

We at once engaged in a series of conversations with the United States, the European Economic Commission, the member states of the Common Market and the British, a series of conversations that is still continuing. We found that there was an effective role for us to play in furtherance of our national interests and in the common cause of the trading world. We are now negotiating with the Common Market to put our consultations with them on a more