

*Supply—Trade and Commerce*

The European common market is now in its first stage of development. In January of this year these six countries implemented the first steps in the reduction of tariff barriers and quantitative restrictions among themselves and some of these tariff cuts were extended to other members of the GATT, including Canada. The six common market countries are at present in the process of formulating their common agricultural policies and are also working out the level of the common external tariff which is to replace gradually the existing separate national tariffs. The development of this new economic entity in Europe is, of course, of major significance and importance to Canada and to all other trading countries.

Canada has already indicated its sympathy and appreciation for the broad economic and political objectives pursued by these countries. At the same time and bearing in mind the contractual obligations of the common market countries under GATT not to raise new barriers to trade, Canada and other countries are keeping the common market arrangements as they develop under careful review. Detailed discussions and consultations are actively being pursued within GATT to ensure that the views and interests of all trading countries are taken into account by the common market in the formulation of its policies. We will have an opportunity to make careful examination of the agricultural arrangements being developed by the six. In addition, arrangements have now been made within GATT for the negotiation of the levels of the common external tariff before it is put into effect.

We feel sure that the European common market, as one of the world's major trading groups, will wish to play a positive and constructive role in world trade, and will join with Canada and other countries in a common endeavour to expand world trade on a truly multilateral basis. As hon. members are aware, the distinguished presidents of the three agencies which administer the affairs of this new European community visited Ottawa recently and at that time we had a welcome opportunity to discuss these matters with them.

Apart from the common market itself, certain other countries in Europe, including the United Kingdom, are currently exploring the possibility of a free trade area among themselves, looking toward a broader association covering all of western Europe. These discussions are, of course, of great interest and significance for Canada. It is too early to be able to give any precise indication of their possible outcome, but I can assure the committee that we are following developments closely.

[Mr. Churchill.]

Through our participation in the general agreement on tariffs and trade we have now had an opportunity to review with other countries the full implications of the moves toward convertibility of currencies. At the meeting of the contracting parties in May of this year we were able to press home our case for the complete removal of discriminatory restrictions against Canadian goods and were encouraged by the response. There was general recognition by the contracting parties that, in accordance with the GATT provisions, there is no longer any financial justification for continued discrimination and we have a right to expect other countries now to implement their full GATT obligations toward Canada and take early steps in the removal of these controls.

Another major issue dealt with at this GATT meeting was the question of import restrictions maintained by Germany. We were successful in obtaining a firm undertaking from Germany to remove its import restrictions on a wide range of products, including certain basic materials of importance to Canadian trade. Germany was, however, unable at this time to undertake the removal of restrictions on a number of agricultural commodities. Arrangements have, however, been made under GATT which, while permitting Germany to maintain these controls subject to agreed conditions for a maximum period of three years, ensure that German policies in this regard will be brought under detailed and continuing scrutiny by GATT. This settlement, while not fully satisfactory, goes some way to resolving what has been a difficult issue in Germany's international trade relations.

At this May session of GATT we were happy to welcome the accession of Israel to GATT and the association of Yugoslavia with the work of the contracting parties. This will not only strengthen our own trade relations with Yugoslavia and the new state of Israel, but also provides evidence of a continuing and increasing interest among trading countries in this agreement.

We have continued to pay close attention to our trade relations with the countries of Latin America. A Canadian observer attended these recent meetings of the economic commission for Latin America, which were held in Panama. Canada also joined in the work of the coffee study group set up last year in Washington. This organization is of particular interest to a number of Latin American countries which depend on exports of coffee for a large proportion of their foreign exchange earnings. We also had an opportunity within GATT to consult and co-operate with representatives of Latin American countries