

Free Trade Area in Western Europe

PRIME MINISTER LOUIS S. ST-LAURENT issued in November the following statement on behalf of the Government in connection with the suggestion that the United Kingdom might join a free trade area embracing most of Western Europe:

The Canadian Government has been informed by the Chancellor of the Exchequer and the President of the Board of Trade of the proposal under consideration by the Government of the United Kingdom which would involve the United Kingdom entering a Free Trade Area in Western Europe along with France, Belgium, the Netherlands, Luxemburg, Germany and Italy (who are considering the establishment of a full Customs Union among the six of them), and other countries of Western Europe. The entry by the United Kingdom into such a free trade arrangement with European countries would entail the removal by defined stages of its customs duties on the products of such countries in return for reciprocal action on their part toward United Kingdom products. The United Kingdom proposes that this arrangement would not apply to foodstuffs, feeds, beverages or tobacco. In that event such advantages as are now accorded by the United Kingdom to imports of these types of products from other Commonwealth countries would not be affected.

Even with the exclusion of such products, the changes in United Kingdom and European trading relations involved in the carrying out of these proposals would present a number of problems for Canadian trade with the countries concerned. The various possible effects upon Canada's trade and upon our existing trade arrangements will require detailed study by the Government and thorough discussions with the other Governments concerned.

It will be important that the carrying out of these proposals proceed according to a definite programme and on a firm time-table and be accompanied by appropriate internal economic policies. The proposed new arrangement will have its most beneficial effects if it is brought into being with a minimum of discrimination against the trade of other countries and if the expansion of mutually advantageous trading relations with other countries is encouraged.

If the proposals are carried through with determination, and at the same time the countries concerned proceed forthrightly with the removal of other trade barriers between themselves, and also against other countries as they are already pledged to do, it should be possible to surmount any difficulties which may be created and to increase the flow of trade, and maintain the ties, between this large European area and the rest of the world. On the other hand, a partial development that resulted only in the creation of a new system of intra-European tariff preferences would interfere with trade between Europe and other countries, including Canada, without achieving the positive results which are expected from a full implementing of the plan. Similarly, it would be a matter of concern to us if the pursuit of this European objective, worthy as it is, were to result in an increase in tariffs against non-European countries or in less effort or willingness to reduce the other barriers to the development of competitive multilateral trade, which is the over-riding objective of the Canadian Government and of the General Agreement on Tariffs and Trade.

Should the proposals be adopted and successfully carried through by Britain and nations of Western Europe they should increase the economic