

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 dollars last year. Getting on for three billions of these imports came from Canada. The EEC countries last year took 17% 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 of primary goods. We have been less successful with our manufactures. Why this should be so is a bit of a mystery. Part of the answer may lie in Canada's industrial structure, industrial habits and industrial policy. The tax concessions announced by the Minister of Finance are plainly relevant to the solution of this sort of problem.

The Government can also help by pursuing its efforts to strengthen Canadian ties with the EEC. Until recently, the Community was too absorbed in sorting out its internal problems to have much energy left to reflect on how it would relate to countries outside. Leaders of opinion within the Community were too preoccupied to make some distinctions that were important to us here. It has taken persistent effort to persuade them that analysis that treats North America more or less as an economic entity is quite insufficient. It will take continued persistent effort to ensure that the Community remains outward-looking, and that the Community's success in enlarging itself is not bought at the price of excessive readjustment for Canada.

On these matters, I am, however, hopeful. We have succeeded in persuading the Community to look at its future relationship with Canada in its own right. With others, I think we can succeed also in ensuring that the Community does not become protectionist. But when we have done so, the task of