HOUSE OF COMMONS

Monday, January 18, 1960

The house met at 2.30 p.m.

TRADE

PARIS MEETING—REPORT BY MINISTER OF FINANCE

Hon. Donald M. Fleming (Minister of Finance): Mr. Speaker, I should like at this time to make a report to the house on important meetings which took place last week in Paris on broad economic matters. As hon. members are aware my colleague the Minister of Trade and Commerce (Mr. Churchill) and I represented the Canadian government. It was a matter of regret to both of us that we were, for this reason, unable to be present at the opening of parliament.

Before describing the events of last week it might be helpful if I were to outline the events which led up to the meetings. May I ask the indulgence of the house for a rather long statement, necessitated by the complexity of the background and the rapidity of recent developments. In what I have to say, when I am referring to Europe, Mr. Speaker, I am including the United Kingdom in that designation.

Hon. members will recall that immediately after the war the United States made reconstruction loans to Europe; and Canada made, on a proportional basis, even greater loans to Europe. It soon became clear, however, that these loans were not enough to ensure full European recovery. We all recall the wave of hope and encouragement that ran through Europe and around the world when, in June, 1947, General Marshall announced the famous Marshall plan. Under that plan, with its massive economic aid from the United States, Europe carried forward its post-war economic recovery. While the Marshall plan was essentially economic it was, of course, of great political significance. It fostered closer relations between European countries, especially through a new body known as the organization for European economic co-operation or, more briefly, OEEC. Canada and the United States both became associate members of OEEC in 1950, reflecting the contributions that both made to European recovery and common membership in NATO.

Then came a development of a rather different nature. Six countries of Europe began to lay plans for a very much closer form of association. They are France, Germany, Italy, the Netherlands, Belgium and Luxembourg. In these plans the establishment of strong ties between France and Germany was particularly important. In the succeeding years the six have agreed amongst themselves to form the European coal and steel community, the European atomic energy agency known as EURATOM, and the European economic community or common market. Hon. members will be aware that GATT permits the formation of common markets under specified conditions. Accordingly the six are, over 12 or 15 years, abolishing trade restrictions of every kind between themselves and developing a common tariff which they would apply to imports from the rest of the world.

While these developments were understandable, it is also understandable that the other European countries, which participated in the earlier post-war European initiatives but which for political or economic reasons were unable to join with the six, should regard the plans of the six with mixed feelings. If they could not share in all the political activities of the six, could they not at least share in the economic arrangements? Hence emerged the proposal by the United Kingdom for a Europe-wide industrial free trade area. Unfortunately, however, the two movements, one for a close association of six and the other for a much looser association of 17, reached an impasse at a ministerial meeting of the OEEC in December, 1958.

Faced with this situation, seven European countries including the United Kingdom, Sweden, Norway, Denmark, Switzerland, Austria and Portugal, quickly decided to form a free trade area among themselves. They did this partly for the benefits it would bring to its members but also in the hope that, in due course, the six might find the idea of a Europe-wide free trade area more acceptable, and in the fear that without such an arrangement the six, from a position of strength, might make separate trade arrangements with each of the seven individually. Thus, by the end of last year the 18 full members of OEEC were divided into "the Six" and "the Seven", and a remaining five have no special association with each other.

Since the breakdown of negotiations in OEEC in December, 1958, no common ground had been found for substantial discussions