

their "gap" in these fields is of increasing concern. Taken together, the members of the two European trading blocs—the EEC and the European Free Trade Association (EFTA)—constitute the largest and most dynamic trading area in the world. With their economic and political ties with other countries in Africa, the Middle East and elsewhere, they exercise an important influence on global stability and security.

The Western European countries have also developed a desire for greater unity. Future events in Western Europe may be largely determined by the continuing interplay between national rivalries there and the move toward greater integration. The basic drive, however, is for greater European self-assertion, whether to prevent possible future conflict within Europe or to meet the existing challenge of United States influence. In the political field, progress has been slow; in the economic field, at least within the EEC, movement is probably irreversible though still incomplete, and there is already acceptance of the idea of a "broadening and deepening" of the Community; in the technological field, the pooling of resources to keep in the running with the United States (and Japan) is seriously contemplated; while, in defence matters, long-standing co-operation continues.

It is in the economic sphere that the move towards European unity has had its greatest direct and indirect impact upon Canada's relations with Western Europe. The formation of regional trading blocs (EEC and EFTA) has been accompanied by internal economic expansion and intra-bloc trade expansion. Thus, the establishment of the EEC has given major stimulus to the growth of member countries, including their import needs, but has placed outside suppliers such as Canada at increasing disadvantage for business in EEC markets. Multilateral tariff negotiations (the Dillon and Kennedy Rounds) have mitigated the trade-diversionary impact, especially as regards manufactures, but these have had little or no impact upon agricultural trade or non-tariff barriers. Hence, while the EEC may now be said to have relatively low tariffs on industrial goods, its trade or internal policies on a considerable number of items of traditional export interest to Canada are considerably less liberal. It will be necessary for Canada to continue to urge its European trading partners to provide improved access to their markets in areas of particular interest to Canadian exporters. Within EFTA, the economic performance and balance-of-payments problems of Britain have created different circumstances but with many of the same effects on Canada's traditional trade there.

In the monetary field, the Europeans have continued to recognize the need for a broader approach than continental arrangements. The maintenance of monetary stability is of major importance to the development