

*The Address—Mr. Pearson*

matter of international economic policy. I should like to quote as follows from the statement I made at Ceylon:

For our part—

That is the Canadian delegation's part, and it is also the policy of the Canadian government.

—we welcome the prospect of closer economic co-operation among the countries of western Europe. Such a development might be expected to contribute to the military strength of the democratic countries concerned and also, by eliminating un-economic production and encouraging competitive efficiency, to hasten the day when they would no longer require extraordinary financial assistance from abroad. It would also restore to countries occupied and ravaged during the war that sense of hope which they need now more than they need United States dollars. Western Europe could once again look forward to playing in the world the great role for which its history and the resourceful intelligence of its people qualify it.

During the past few months a great number of proposals for closer economic co-operation in Europe have been put forward. Some of them are perhaps as frivolous as the names they bear. Others, however, are more solidly based and deserve careful examination.

In examining them I would suggest that two tests should be applied. First of all it should be determined whether the plan has substantial content or is merely a gesture. Does it take account of present-day economic realities in western Europe and the rest of the world? Is it likely to further the ends which it purports to serve? Secondly, each plan should be tested against the criterion of whether or not it will lead to a progressively wider co-operation in trade and other economic matters between all the countries in the free world.

Some of the proposals made recently seem to my government to be as likely to encourage the development of new high-cost industries and increased high-cost agricultural production in Europe as to lead to the objectives of greater efficiency and lower costs and prices at which they purport to be aiming. What must be avoided is the creation of a closed, high-cost, inflationary economic bloc, whether a sterling bloc, a commonwealth bloc, a European bloc, or a North American bloc, which would make progress toward a wider multilateral system of trade and payments more difficult. We recognize, at least under present conditions, the advantages to world trade of the sterling area. We have always contended, however, that the sterling area as we know it today should be regarded as a transitional stage on the way to a trading system where currencies will be convertible and where exchange controls and quantitative restrictions will be drastically reduced. In the same way I would argue that any new economic bloc which might be set up in Europe should be so designed as to facilitate rather than retard progress towards this goal.

It is often said in Canada that, in the short run at least, such a bloc might do some damage to Canadian trade. I would hope that it would not be serious. Nevertheless, it might be better for us in Canada to suffer some temporary disadvantages rather than to see the prospect of closer economic co-operation which we believe to be necessary in western Europe made impossible because the United Kingdom is unable to participate.

During the conference there were also economic and financial talks carried on by officials of the delegations represented there. They were carried on at the same time as

the ministerial talks, and the reports of those discussions have been made directly to the ministers of finance. We were fortunate to have highly qualified experts at these talks, and they took an active part in them. They concerned in the main the present position and future prospects of the sterling area. The Canadian position with respect to participation in talks of this kind was, if I may say so, a little equivocal. It certainly was not the same as that of the other participating representatives, who without exception came from sterling areas. In fact our role at those talks, if I may put it that way, was that of a persistent but very friendly dollar gadfly. We made clear to the others that naturally we could not be associated with any efforts of the sterling countries to reduce imports from Canada as a dollar country, but we hoped that the balance which we admitted they must achieve could be brought about, at as high a level as possible, by increasing dollar earnings through increased exports to dollar markets, and by encouraging the inflow of capital investment from dollar sources.

Other subjects discussed at these talks were the short-term prospects for the sterling area on dollar account; forecasts of dollar earnings in the year ahead; the sterling balances, especially those of Pakistan and India, and the effect of those on the United Kingdom financial picture; the over-all as well as the dollar deficit of individual sterling area countries. These discussions were useful, and I hope will help in solving these important financial problems which face the commonwealth countries today.

So much, then, for the Colombo conference itself. After that conference my colleague the Minister of Fisheries and I, with our officials, had an opportunity to visit a number of countries in the Far East. Wherever we visited, we attempted to discuss trade as well as political questions of mutual interest. I think hon. members will agree that in Canada there is a growing interest in the potential demand for Canadian products in the Asian market; and of course we share the great interest of the western democracies in the development of trade with Asia as a means of contributing to the growth and stability and healthy economic development of that part of the world which is so important to us. In addition, an increase in our trade with the countries of Asia would serve in our case a dual purpose. To the extent that imports into Canada from the countries of Asia could be alternative to imports otherwise made from the United States, that would assist us to balance our trade with the United States and would