

of Middle East oil to the underdeveloped world, the whole value of foreign aid is automatically wiped out.

It seems to me that in all of our discussions and all our anxieties to strengthen and develop our two economies, we have to keep in mind what our responsibilities are in respect of the Third World, and what, in effect and in reality, our own development will do to those very sensitive economies.

Mr. Diebold: I certainly agree with that. I think the problems of coping with the difficulties of the poorer parts of the world are probably going to increase. We both separately recognize it and have done something about it in the past. I guess I would say a couple of different things. One is that if we don't handle our affairs on the North American Continent well, and if we divert a lot of our attention to disputes amongst ourselves about things that could be otherwise settled, we are likely to do less well rather than better in dealing with the problems of the Third World. I think there is a very specific aspect that is usually overlooked when we talk about special trading arrangements and free trade, or something of this sort, between the United States and Canada. It was easy for us to say in the case of the automobile pact that third parties were hardly affected at all, but it begins to be a little difficult when you get to some other products to see whether there are not some other countries that might be hurt by our mutual preferential bargains. The one who might most often be affected is Mexico. Very little attention has been paid to this aspect of Canadian-U.S. relation and I think it is worth some attention. Mention of Mexico is a good example of how difficult it is to generalize about our relations with the poorer countries. Mexico is no longer a country that needs foreign aid or a great deal of other kinds of assistance. It is a rapidly growing, increasingly important country. We do not have very good arrangements to bring countries like Mexico and Brazil into fuller participation in international co-operation. This is one of the reasons, I think, that the multilateral approach and not the bloc approach is terribly important in terms of the future.

On the matter of oil, you are quite right that for some countries the higher cost has wiped out the value of aid. Aid is not so terribly great in too many cases, I am afraid. With or without aid the impact of higher costs for fuel and fertilizer is very serious. Some countries have had some offsetting advantages through the increase in raw material prices, but the disconcerting facts that showed up in a couple of recent studies is that after the oil price increase the source of the greatest trouble for many of the poorer countries, notably India, is the increase in the price of wheat. You and we and other wheat producers are getting some offset to our higher import bills by payments from the poor countries. This is the kind of problem we can do something about if we want to.

I might say we have not talked very much this morning about food. It goes right along with oil and raw materials as one of the big problems in which North America has a different position from Western Europe, Japan or the remainder of the world.

However, I agree with you entirely, sir, that as you go on with this you must always ask yourself what is

the bearing of United States-Canadian relations on the third world? There is, indeed, a question about inducing the rich under-developed countries, Arab and non-Arab, to take on new responsibilities to match their new wealth and power. They must find a place, whether it is in monetary arrangements or other matters.

Senator Connolly: Perhaps it is a little hard to say it this way, but the Arabs and those in the Middle East who have the oil have said, why should they not increase their prices because they are paying so much more for wheat, for food and commodities of that nature? However, I have heard others say, no, these countries are fundamentally underdeveloped and it happens that they have a commodity needed by everyone else. What we have been doing is to develop them, I suppose, and they have received some benefits from the foreign aid programs, just as have some of the countries in Africa which are not in as strategic positions as those in the Middle East.

I suppose the question is a logical one: If we continue building up those countries—it is a terribly selfish statement to make—will they ultimately, when they are in a position such as some of the Arab countries are to control a strategic resource, turn upon the West, perhaps with the connivance of anti-western powers such as Russia or China? To leave the impression that we should let them go their own way, let them starve and let them die is not the attitude that anyone would take. We hope—perhaps this comes back to your simple point that you work for international co-operation in this field with a view to building up these countries—to help their peoples, but at the same time to endeavour to make them realize that they have some responsibility for international co-operation.

Mr. Diebold: Something along those lines must certainly be correct. The problem is thrust on us so suddenly that I do not have a sense that people are sure of their touch, but there certainly is groping in that direction.

Senator Connolly: I think we are all groping.

Senator van Roggen: I have one question, Mr. Chairman. I hope it will not involve too long an answer, although I admit it is difficult. Will multi-national wheat trade negotiation win the day, or will the blocs win it? I ask that question in full realization that I am not just speaking of trade, but the non-tariff barriers which you mentioned.

Another question which is important to me is the enforceability. It seems to me that if the non-tariff barriers are the main problem, then on a multi-national basis it is a hopeless task to police them, whereas in the case of a deal within the European Common Market it can be policed a little more easily. If we had one in North America, we could police it a little easier. In other words, will the blocs, no matter how much we bring down trade barriers of whatever nature on a multi-national basis, not basically still exist, and if we do not join them ourselves will we not be left out in the cold?

Mr. Diebold: That possibility certainly comes to mind when we consider some of the things that the Europeans were working on until their attention was diverted to