

needs something much more than either trade or aid. What Europe needs is the investment in its productive plant and processes of large amounts of outside capital.

The capital needed for investment in Europe's productive facilities is to be found in the net export balances of the United States and to a much lesser degree in those of other creditor countries such as Canada.

In paragraph 2 of your Committee's terms of reference it states: "That notwithstanding the generality of the foregoing, the Committee be instructed and empowered to consider and report upon how, in their opinion, (a) any project for developing economic collaboration, specifically between the countries who are signatories to the North Atlantic Treaty, can be co-ordinated with the trade policies of other countries of the free world;" and we now wish to make such a suggestion to your Committee.

We recommend the establishment, as an implementation of Article 2 of the North Atlantic Treaty, of a Banking Alliance between the countries who are signatories to the Treaty with the prime purpose of encouraging and directing the investment of capital where necessary and desirable in the signatory countries.

We envisage such an Alliance as an organization capable of giving substance to the basic aims and objectives of OEEC. The broad aim of OEEC for the developing of Europe's productive and competitive capacities leading to extension of both its internal and external trade and the redress of its adverse dollar balances has little or no chance of success without a parallel program of foreign investment in Europe.

Europe is not merely a trans-Atlantic bastion of North American defence. Europe is an economy or group of economies capable of much further expansion and of supporting a much higher standard of living. But these worthwhile objectives require the investment of outside capital for their fulfillment.

We have stressed Europe and the OEEC objectives and problems in this connection not entirely because the NATO and OEEC groups of countries are practically the same, but also because these groups of countries account for the bulk of international trade and certainly of Canada's trade. At the same time we do not wish to ignore the possibilities of trade with other countries especially those within the Commonwealth, and we envisage that the proposed Banking Alliance between the NATO countries would also direct investment in these areas where necessary and desirable with a view to the stabilizing of trade and the convertibility of their currencies. In this latter connection we would hope that the NATO Banking Alliance could formulate a working relationship with the International Monetary Fund.

Without attempting to delineate the full character and operations of the proposed Banking Alliance, it should, in our opinion, be an institution whose basic capital is subscribed by the signatories to the Treaty and its lending capital arises from the uninvested net trading balances of the members.

The joint responsibility for and direction of international investment by the major trading nations of the free world would provide real substance to any program of production and trade expansion such as that envisaged in OEEC, the Colombo Plan and the Technical Assistance Programs, and at the same time create a new atmosphere of stability in world trade.

In such an atmosphere further extension of the General Agreement on Tariffs and Trade would seem to have greater chance of success and to be of greater practical value to all countries concerned.

Although there can be no doubt that Canada should continue her efforts to enter the United States market on better terms, and, in particular, to continue to try to have United States tariff administrative practices adjusted and improved as well as an extension of the Presidential powers under the Reciprocal Trade Agreements Act of 1945, our country has need for greater diversification in external trade both in variety of product sold and in the