

The problem as I see it is this. In the process of broadening and deepening the Common Market, a new kind of trading bloc is emerging, composed not only of countries that are members of the European Community but of a large number of other countries associated in one way or another with the Community by preferential trading arrangements. The principle of non-discrimination in trading relations is being breached on a broad front. This is happening at the same time as protectionist tendencies are reasserting themselves in the U.S.A., most recently in the form of the new legislation now before Congress. I believe one is justified in being concerned that these two European and American phenomena may come to feed upon one another.

It will be recalled that the formation of the European Economic Community was accompanied by the negotiation of the Kennedy Round. At that time, Europe and the world moved together in harmony in what was a most impressive advance towards freer trade. Today there is little evidence of this kind of harmonious relations -- indeed, quite the contrary.

When I saw Sir Alec Douglas-Home and Mr. Heath in London, I urged upon them the need for Europe, as it moves toward economic and political unity, not to forget the wider unity of the world, a unity in which all nations have a vital concern.

I do not think I am being alarmist; such a confrontation is apprehended by expert observers on both sides of the Atlantic. It cannot be allowed to take place. Last week in Ottawa, I made this point most strongly to the leaders of the U.S. Administration. I am doing the same here in Europe.

Think for a moment about the kind of world in which such a confrontation would take place. In the Far East there is the economic miracle of Japan. The Japanese are beginning to dismantle their import restrictions. They will not be encouraged to continue by retrograde developments in the West. China is emerging upon the world scene as a potential super-power, and, in terms of population, as a market potentially greater than Europe. By 1972, if not, indeed, in 1971, the Peking Government could be seated at the UN. Certainly, this is what Canada hopes to see happen. The changes that could flow from this development are incalculable. Little is known of China's intentions. One thing is certain -- if Europe and North America are directing their energies to a sterile trade conflict, they will have difficulty in meeting the challenges and seizing the opportunities presented by China's full participation in world affairs.

The developing nations of the Third World must be watching any drift in this direction with deepening concern and apprehension. Recent studies have reinforced the conviction that a maximum effort is required in the next decade, in terms of aid and trade, to enable these nations to escape the treadmill of poverty, hunger and over-population. This calls for a concerted effort by all the developed nations.

Trading opportunities with the nations of Eastern Europe are opening up at an accelerating rate. We must be in a position to take full advantage of these, not just because of their economic benefits but because