

on industrial goods be staged over three years and that there should be a transitional period of six years for agriculture.

On the basis of my discussions with European leaders, I can say that Britain and the E.E.C. are prepared to explore with us areas where their interests may to some extent coincide with our own. They are also willing to maintain a two-way flow of views and information with Canada throughout the negotiations. We hope that their agenda will not be too rigid to allow them to do these things in a meaningful way.

It would, however, be misleading for me to suggest that there is prospect of any major accommodation of Canadian trade interests in the short term. Apart from whatever possibilities may exist for adjustments based on mutuality of interests, we must assume that, if the negotiations succeed, Canadian exports to Britain will eventually be subject to a Common External Tariff and a Common Agricultural Policy.

The general situation as far as access for Canadian goods is concerned would be significantly improved if the trading countries of the world undertook, during the enlargement negotiations or before the end of the transitional period, a broad negotiation to reduce tariffs and non-tariff barriers to trade. This would mitigate the trade diverting effects of E.E.C. enlargement in much the same way as the Dillon and Kennedy Rounds eased the impact on third countries of the original formation of the E.E.C.

For the present, however, European energies are being concentrated on the re-shaping of Europe. In Brussels, it was emphasized that "élargissement" is only one of the current preoccupations of the E.E.C.—the other being "approfondissement," the progressive transformation of the Community from a customs union into a full economic and monetary union. We suggested that they should give more thought to the need for a "modalisation"—or adaptation of the results of the enlargement negotiations to the requirements of world trade.

European Views

In both Brussels and London, there was a tendency to agree that the Canadians were exaggerating the impact of E.E.C. enlargement on their trade. I was told that many of our exports would benefit from the dynamics of growth of the enlarged Community and its rapidly expanding import needs. Reference was made to the fact that the E.E.C.'s imports have more than doubled since 1958 when the Community came into being. It was also pointed out that the average level of the Common External Tariff on industrial goods was lower than that of the United States. Other favourable factors, including inter-company arrangements, could, some Europeans believe, ensure continued exports to an enlarged Community of some of our industrial goods.

In our meetings in London, the British sought to convince us that there would always be a large market for Canadian hard wheat in Britain because it was needed to maintain the right balance in milling operations.

We were repeatedly assured by all that the policy of the E.E.C. (and perhaps even more so of an enlarged E.E.C.) would be responsible and outward-looking. In

fact, all said Europe "would not be comfortable with an inward-looking orientation."

We listened carefully to these reassuring assertions. I said we sincerely hoped that events would bear out the assumption of faster European economic growth following enlargement. This would not help us however, we emphasized, in those cases where their tariffs or other trade barriers were highly restrictive, as in the agricultural sector.

If Europeans are going to continue to need our industrial materials to sustain efficient economic growth, why impose on themselves the burden of paying significant customs duties on some of these products? If the enlarged Community will continue to need our wheat, should not the relevant regulations of the Common Agricultural Policy be adjusted to facilitate such trade.

I welcome their predictions that an enlarged Community would be outward-looking and said that we hoped to see this reflected in the progress of the GATT work program and in future initiatives toward trade liberalization.

Canadian Strategy

What will be the Canadian attitude in the months and years to come? We shall continue, as I indicated, to keep considerations of this kind before our trading partners in Europe throughout the negotiations. We shall continue to seek areas of mutuality of interests. We shall continue to urge the E.E.C. and the applicant countries, when they are weighing the merits of alternative solutions, to include in the balance the interests of third countries and the future of the world trading community.

As honourable members know, my colleague, Mr. Sharp, is now in Europe and will be discussing the implications of E.E.C. enlargement for broad Canada-Europe relations.

Our discussions will be pursued in the coming months with all present and prospective members of the Community. In our consultations with them, we are placing considerable emphasis on the kind of relationship which an enlarged Community would have with Canada and other countries and trading groups.

As the negotiations in Europe proceed, we shall be considering how our important contractual rights and obligations can be put into play most effectively. We shall also be reviewing the implications of E.E.C. enlargement for Britain's preferential access to the Canadian market.

In the meantime, we shall use our influence in the GATT to maintain the momentum of trade liberalization efforts and press in particular for a major round of negotiations before the results of the enlargement negotiations are put into effect. We shall continue to urge the United States to provide, with the E.E.C. and other major world traders, the leadership and support which is essential if these efforts are to succeed. We had the opportunity to discuss these matters recently with members of the United States Administration when the Joint Canada-United States Committee on Trade and Economic Affairs met November 23-24 in Ottawa.