

which has brought about major changes in trade and production patterns in the important motor vehicle sector. Our trade is not limited by extensive quota controls.

Moreover, there is a much greater degree of integration in North America in transportation and communications systems, technical standards, and ownership and control of industries and intercorporate links than exists in Europe today, even a quarter of a century after the EEC came into being. National prejudices and differences in language, culture and ways of doing business are generally not such as to have a significant effect on trade and investment decisions in North America. These factors do still seem to have some influence in the European business world.

What all this adds up to is that, other things being equal, one would expect the benefits of getting rid of trade barriers in North America to be smaller than those of integration and harmonization in Europe. On the other hand, they are likely to be achieved much more rapidly (because some of the factors which slowed down the process in Europe would not be present). The other side of this coin is that safeguards might be more necessary in a Canada-U.S. arrangement during a transitional period.

Notwithstanding these and other differences, there are some useful lessons to be learned from the European experience. The more important ones would appear to be as follows:

1. It certainly illustrates that, under the right conditions, permanent dismantling of tariffs and NTBs can provide a stimulus to industrial restructuring which increases efficiency and competitiveness, through specialization and greater economies of scale. This process in turn leads to faster growth in incomes and output.
2. The restructuring which took place in Europe seems to confirm the thesis that, where there is integration between highly developed countries which have a broad range of secondary industries, intra- industry specialization tends to predominate. The adjustment problems this involves, while not negligible, are generally less severe than those associated with inter- industry specialization.
3. To the extent that inter-industry specialization does take place, it is obviously desirable to avoid, if possible, getting into the situation in which the British to some extent find themselves - expanding their share of Community production in industries which use low-skill, low-wage labour.
4. Just because the likely adjustment problems were exaggerated when the Rome Treaty was under negotiation, we cannot assume that the same is true now in