

- (3) Our intention to bring into play at an appropriate stage the contractual rights and obligations, under bilateral arrangements and under the GATT, which would be affected by EEC enlargement.
- (4) Our views as to the importance of developing new initiatives for freeing of trade on a multilateral basis during the period of European negotiations.

Some Effects of Enlargement

In discussing the direct impact EEC enlargement would have on Canadian trade, I drew a statistical picture of the changes in access terms which our exports to Britain would face if that country adopted the EEC Common External Tariff and the Common Agricultural Policy unchanged. Only about 36 per cent of these exports would continue to receive free entry, compared with some 94 per cent at present. The remainder would face tariffs, loss of Commonwealth preferences and reverse preferences in favour of our ECC competitors. Our agricultural exports would be in an even more difficult position as the inward-looking Common Agricultural Policy makes use of levies, subsidies and other special protective devices.

The actual effects on the volume and profitability of Canadian sales would, of course, vary considerably from one item to another. However, it was important to ensure that the parties to the negotiations were fully seized of the fact that almost 70 per cent of our exports to Britain would be adversely affected under the present Common External Tariff and Common Agricultural Policy.

I underlined that Britain is Canada's second-largest export market, accounting for about one-quarter of our overseas sales. It has been purchasing more than \$1 billion of Canadian goods annually in recent years and, in 1970, its purchases will exceed this level by a considerable margin. Our exports to the EEC and other applicant countries are approximately of the same magnitude as our sales to Britain. Some of these would also be adversely affected by EEC enlargement.

As regards the more general implications, we emphasized the danger of a polarization of the world trading community into inward-looking rival blocs. The EEC is already the world's largest trading entity. Enlarged, it would account for more than one-quarter of world trade, that is, not including intra-Community trade -- compared with about 20 per cent for the United States. About 50 of the 91 members of the GATT could be either members of the EEC or countries associated with it.

I urged that the EEC use its influence to facilitate and encourage continued expansion of trade on a world-wide basis and not only within its own grouping of member and associated countries. The world trading community and the EEC itself would have much to gain from such an outward-looking policy. On the other hand, if EEC enlargement mainly has the effect of limiting and diverting trade from third countries, the Community is itself bound to lose over the longer run in terms of consumer and producer costs. Moreover, outside suppliers could not remain indifferent to the loss of important traditional markets for their goods in the EEC and in the countries associated with it.