

the enlargement of the Community, whatever its long-term benefits, will pose particular difficulties for Canada as tariffs and reverse preferences affect exports to Canada's second major market, Britain. Trade policy and promotional efforts in Europe must, therefore, be geared in the short term to overcome new obstacles which may arise.

Enhanced co-operation with Europe could facilitate the promotion of liberal trading policies designed in particular to encourage freer trade in industrial materials and manufactured goods, to come to grips with the problems of agricultural trade, to move towards elimination of non-tariff barriers and to encourage investment in uneconomic import-displacing industries. Closer relations with the EEC could also attenuate ill effects from British entry as well as those from preferential arrangements developing between the Community, the Mediterranean Basin and Northern Europe. It is not inconceivable, that, within a relatively short period, the whole of Western Europe could become a single trading market as a result of expanded membership or association arrangements built around the Community. As a matter of some urgency, therefore, careful consideration should be given to the development of appropriate consultative arrangements which will take account of mutual Canada-EEC interests. These extend well beyond the trade field alone and include questions of industrial development policy, competition policy and scientific and technical co-operation. With respect to trade itself, it is important to note that, in many cases, commitments arising out of earlier bilateral agreements between Canada and members of the EEC are now the responsibility of the Commission in Brussels rather than of member governments directly, and future mechanics for Canada-EEC co-operation should take this into full account.

Intensive co-operation in financial affairs, which have thus far not been so severely affected by the movement towards European integration, would contribute to the resolution of incipient balance-of-payments disequilibria. This would not only help to head off possible restrictive measures in trade but also encourage the growth of stable and substantial capital markets on which Canada increasingly could draw. Likewise, continued broader co-operation within OECD on domestic economic policies for growth will foster stable conditions in Europe to Canada's advantage. Such co-operation can be of growing significance as the industrialized world turns to environmental problems and their real costs, an increasingly important factor in economic growth policies.

Canada's trade and financial policies with respect to Europe could also be served by closer links with a number of European institutions—for