

important matter of international economic policy. I should like to quote as follows from the statement I made at Ceylon:

For our part -

That is the Canadian delegation's part, and it is also the policy of the Canadian government.

- we welcome the prospect of closer economic co-operation among the countries of western Europe. Such a development might be expected to contribute to the military strength of the democratic countries concerned and also, by eliminating uneconomic production and encouraging competitive efficiency, to hasten the day when they would no longer require extraordinary financial assistance from abroad. It would also restore to countries occupied and ravaged during the war that sense of hope which they need now more than they need United States dollars. Western Europe could once again look forward to playing in the world the great role for which its history and the resourceful intelligence of its people qualify it.

During the past few months a great number of proposals for closer economic co-operation in Europe have been put forward. Some of them are perhaps as frivolous as the names they bear. Others, however, are more solidly based and deserve careful examination.

In examining them I would suggest that two tests should be applied. First of all it should be determined whether the plan has substantial content or is merely a gesture. Does it take account of present-day economic realities in western Europe and the rest of the world? Is it likely to further the ends which it purports to serve? Secondly, each plan should be tested against the criterion of whether or not it will lead to a progressively wider co-operation in trade and other economic matters between all the countries in the free world.

Some of the proposals made recently seem to my government to be as likely to encourage the development of new high-cost industries and increased high-cost agricultural production in Europe as to lead to the objectives of greater efficiency and lower costs and prices at which they purport to be aiming. What must be avoided is the creation of a closed, high-cost, inflationary economic bloc, whether a sterling bloc, a Commonwealth bloc, a European bloc, or a North American bloc, which would make progress toward a wider multi-lateral system of trade and payments more difficult. We recognize, at least under present conditions, the advantages to world trade of the sterling area. We have always contended, however, that the sterling area as we know it today should be regarded as a transitional stage on the way to a trading system where currencies will be convertible and where exchange controls and quantitative restrictions will be drastically reduced. In the same way I would argue that any new economic bloc which might be set up in Europe should be so designed as to facilitate rather than retard progress towards this goal.

It is often said in Canada that, in the short run at least, such a bloc might do some damage to Canadian trade. I would hope that it would not be serious. Nevertheless, it might be better for us in Canada to suffer some