

## STATEMENTS AND SPEECHES



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THE ECONOMICS OF PEACE

A Canadian view of European-North American economic co-operation through NATO, OEEC and GATT.

An address by Mr. L. D. Wilgress, Ambassador and Permanent Representative of Canada to the North Atlantic Council, to a meeting sponsored by The English-Speaking Union at Edinburgh.

It is a great pleasure for me to have this opportunity of meeting representative business men of this important and beautiful city. I think it is very fitting that The English-Speaking Union has taken the initiative in arranging for me to come and talk to you about economic collaboration between Europe and America through the various international organizations with which I am connected. The aim of the Union is to bring about a better understanding between the peoples of the English-Speaking world. That means the strengthening of ties across the Atlantic. It is in the North Atlantic Alliance that three countries of the English-speaking world have forged ties which have brought them into close working relationships with one another. The aims of The English-Speaking Union are being very directly fostered by NATO.

I propose to tell you how economic co-operation between Europe and America is being developed in such organizations as NATO, the OEEC and GATT, to mention those with which I am connected. The same applies to other organizations such as the International Monetary Fund, the International Bank for Reconstruction and Development, and the Food and Agriculture Organization, but I shall not deal with them, except in very general terms, because I have no first-hand knowledge of their operations. I want to make it quite plain that by economic co-operation I am not referring so much to the generous assistance afforded by America towards the restoration of the European economies as to economic collaboration across the Atlantic in the new period characterized by the slogan "trade not aid".

I shall take up NATO first because that organization embodies the concept of the North Atlantic Community to which the leading countries of Western Europe and North America belong. The strength and well-being of this community depend upon close economic co-operation between the member countries on both sides of the ocean. It is as members of that community also that they are collaborating in the other organizations I have mentioned.

Unfortunately, the aims and objectives of NATO are not always properly understood, even in this country. I am sure that you are better informed than was the case with an American woman journalist who was interviewing my United States colleague, as he was sailing from New York to take up his appointment as United States Ambassador to NATO. She asked him what kind of clothes he would have to wear in that country.

Even Canadian friends of mine, who ought to know better, frequently say when they meet me "You are now at SHAPE, are you not?" As you know, SHAPE is the designation of the NATO military headquarters for Europe, while I am accredited to the North Atlantic Council, the supreme governing body of NATO. These remarks of my Canadian friends only go to show how closely NATO is identified in the public mind with a purely military alliance. This is not surprising because NATO is primarily a military alliance. It was established to restore the balance of power in Europe and thereby deter aggression. As such, it has become the greatest single force for peace. It is because of the existence of the NATO integrated forces and the deterrent to war represented by the atomic or thermo-nuclear threat that talks with the Soviet leaders have now become possible.

But NATO is something more than a military alliance. It is a community whose members share common ideals and a similar if not identical way of life. In this community lies not only the main strength to deter aggression against the free world. Its members are also the heirs of great traditions of freedom and democratic government. In this century of almost unbelievable technical change and social advancement, the countries of the North Atlantic Community are in the vanguard and the way in which we evolve our societies to meet new economic conditions is sure to have broad implications, not only for the rest of the free world but perhaps also for countries which are not yet free. The North Atlantic Community is a dynamic nucleus, but it is not in any sense exclusive. Co-operation within the community should have as its ultimate aim the broadest co-operation among all like-minded countries.

It is particularly about Article 2 of the North Atlantic Treaty that I wish to speak to you to-day. This Article sets out the non-military objectives of the Treaty. It was a reflection of the desire on the part of those who drafted the Treaty to present it to their peoples as something more positive and more constructive than a mere military alliance. You will recall that, after the war, when the United Nations Organization was being set up, there was a determination that there should be a great advance from pre-war days in the degree of international co-operation in social and economic matters. Accordingly, the United Nations was given considerable responsibilities in this field and was provided with an extensive system of specialized agencies, which are either directly subordinate to the central political structure or are associated with it. The inclusion of Article 2 in the North Atlantic Treaty in a similar manner reflects this post-war emphasis on social and economic betterment.

Under Article 2 of the Treaty the partners agreed to four binding commitments, namely: (1) to strengthen their free institutions; (2) to bring about a better understanding of the principles on which those institutions are founded; (3) to promote conditions of stability and well being; and (4) to seek to eliminate conflict in their international economic policies and to encourage economic collaboration between any or all of them. It is in relation to the third and fourth of these binding commitments that I wish particularly to speak to you to-day.

It is not a criticism of NATO to say that it has refrained from setting up administrative machinery to promote the type of co-operation to which the member countries have fully committed themselves. NATO appeared later on the scene and found, already set up, a galaxy of international organizations and agencies concerned with social and economic co-operation. Some of these agencies were regional while others had a world-wide character. Obviously it would have been neither wise nor useful to duplicate work already being effectively performed elsewhere. On the contrary, it is gratifying that some of the non-military aims of NATO were already being actively pursued at the time when the Treaty was signed.

It is most of all in the field of economic co-operation that the prior existence of other organizations has precluded NATO from taking active steps to carry out the provisions of Article 2 of the Treaty, particularly that part of the Article which refers to the elimination of conflicts in their international economic policies and the encouragement of economic collaboration between any or all of the NATO countries.

Let us take, as an example, the O.E.E.C. -- or to give it its full title -- the Organization for European Economic Co-operation. Canada and the United States are associate members of O.E.E.C., and all of the other NATO countries are full members. It was partly by reason of Article 2 of the North Atlantic Treaty that Canada, in 1950, became an associate member of O.E.E.C. The membership of this Organization, however, is wider than that of NATO and includes countries whose traditional policies of neutrality preclude them from having any association with even a defensive military alliance. I am referring in this connection to Switzerland, Sweden, Ireland and, we can now add, Austria. For this reason there can be no organic connection between NATO and O.E.E.C. In practice, however, NATO is able to draw on the work that is being done in that Organization by reason of the fact that so many members are common to both organizations and each has its headquarters in Paris. That is the reason why the Canadian Government have appointed me both as their representative to NATO and as their representative to O.E.E.C.

One activity NATO has had to undertake in the economic spheres has been an examination of the impact of defence expenditures on the economies of the different countries. Obviously, in drawing up a defence plan, account has had to be taken of the economic capabilities of each of the NATO countries. The economic data, however, required to make such appraisals has been drawn largely from information available in O.E.E.C., although supplemented, where necessary, by data obtained directly from the NATO countries. On the other hand, in reviewing annually the defence efforts of each member country, NATO can and does make recommendations about their economic policies.

Economic co-operation between the NATO countries is not limited to the activities of the O.E.E.C. Such co-operation also takes place within the broader organizations having a world-wide character, such as the International Monetary Fund and the Contracting Parties to the General Agreement on Tariffs and Trade - more commonly known as the GATT. The latter Organization, of which I am Chairman, has a special significance for co-operation between Europe and America, as I shall mention later on.

NATO includes the countries with the greatest financial and economic strength. Together they account for approximately two-thirds of the total world trade. Hence, their policies have a decisive influence on the development of international economic co-operation. For this reason, it is a pity that an opportunity is not afforded from time to time for discussion in a NATO forum of the broad lines of economic policy. This would serve to reinforce the concept of the Atlantic Community. Such reinforcement has become

important now that the more favourable international climate may tend to place an increased emphasis on the non-military aspects of our community. We must be increasingly concerned with the political aspects of our relative economic strength, which, in part, is a measure of the degree of co-operation within the North Atlantic Community and amongst the countries of the Free World. It is therefore appropriate that NATO should concern itself with the successful development of economic co-operation between its members and, in a broad way, with co-operation between all free countries.

The O.E.E.C. is not a suitable forum for discussions relating to Article 2 for a number of reasons. First of all, it is a regional organization embracing a region which forms a part only of the Atlantic Community. Secondly, the United States and Canada are not full members of O.E.E.C. but only associate members. While associate membership affords ample scope for the expression of views, it does not give these important members of the Atlantic Community that equality of status they would have in a NATO forum. Thirdly, the presence of the neutrals precludes any NATO country from invoking Article 2 of the North Atlantic Treaty in the O.E.E.C. forum. Hence, O.E.E.C. does not serve to keep alive this Article as an instrument of international economic policy.

In spite of these drawbacks from the point of view of the concept of the Atlantic Community, a great deal of valuable collaboration between Europe and America is taking place in O.E.E.C. That Organization has proved itself to be one of the most effective inter-governmental agencies ever set up. It has played, with American assistance, a notable part in the restoration of the European economies after the war. By establishing and then operating the European Payments Union, it has greatly facilitated the clearing of accounts between European countries and thereby the exchange of goods between them. It has made good progress in the dismantling of quantitative import restrictions through the progressive liberalization of the trade of the member countries. It has taken steps to remove discrimination by European countries against the trade of outside countries, such as the United States and Canada. In all this work the Organization has received advice and assistance from the United States and Canada, who have actively participated in its work as associate members.

Let us now turn to those organizations of a world-wide character which I have referred to already. First of all, let us admit that in this respect the situation is a great improvement over that which prevailed in the period between the two world wars. I was present at the Financial and Economic Conference which was held in London in 1933 at the depth of the great depression. That Conference failed completely to

bring about a joint effort by governments to solve the problems with which they were confronted. The result was that each country went more or less its own way in endeavouring to deal with the pressing problems of mass unemployment, under-production and fluctuating exchange rates. Instead of international economic co-operation, we had international chaos brought about by the worst manifestations of economic nationalism.

Now, we have had set up since the war a series of inter-governmental agencies dealing with the various aspects of financial and other economic relations between nations. In these agencies the countries of Europe and America are co-operating with each other and with the countries of other continents to promote conditions of stability and well-being. The one field in which the process of setting up an inter-governmental agency has not yet been completed is that vital segment of international economic relations, namely trade. We have, however, been making progress in that direction.

After protracted discussions, a Charter for an International Trade Organization was drawn up at Havana, Cuba, early in 1948. It failed, however, to secure ratification by the principal trading nations. In the meantime, however, a group of countries, which had been doing the preparatory work for this Charter, had negotiated among themselves a multi-lateral tariff agreement, known as the General Agreement on Tariffs and Trade. The articles of this Agreement incorporated most of the commercial policy provisions of the Havana Charter. The Contracting Parties to the Agreement have been meeting from time to time to consider matters arising out of its operation. In this way, there has come into being the Organization known as GATT, which now comprises thirty-five countries, including the most important countries in world trade.

Last winter the Contracting Parties undertook a comprehensive review of the General Agreement with a view to revising its provisions in the light of experience. They agreed upon certain amendments which are now awaiting ratification. They also agreed upon an organizational agreement, which, when ratified, will establish an Organization for Trade Co-operation to take the place of the present provisional organization known as the GATT.

We have to recognize that GATT is the only inter-governmental organization ever set up to deal with questions of trade on a world-wide basis. It is the only forum we have for the discussion of commercial policy questions on such a world-wide basis.

The policy of non-discrimination in trade, which is the keystone of GATT, is in the interests of all of the countries of the Atlantic Community. Discrimination has the effect of shutting a country off from the most economical source of supply. It means buying goods at prices higher than the prices at which similar goods are available elsewhere. Hence, a country practising discrimination, isolates itself to that extent from international competition. Costs within that country tend to get out of line with world costs, and its industries are less able to compete in export markets. This is particularly important for countries such as the United Kingdom and Canada which are so dependent upon export trade for their continued prosperity. We must have a fair measure of international competition if we are to promote conditions of stability and well-being among the countries of the Atlantic Community.

Thus, the NATO member countries, by co-operating actively in the GATT forum to reduce trade barriers on a non-discriminatory basis, are promoting a most important form of economic collaboration envisaged in Article 2 of the North Atlantic Treaty.

You will see from what I have said how much the strength and stability of the Atlantic Community depends upon the economic co-operation that is now taking place among the members of the Community in such forums as the OEEC, the IMF, and GATT. This co-operation is vital to the continued strength of the Atlantic Alliance on which our security depends. Our co-operation must also be made to provide an example of the way in which free nations should live together by seeking their own best interests within the context of the general well-being of all like-minded countries.

Economic co-operation in all international organizations may not be the detailed responsibility of NATO, but the spirit and objectives of Article 2 of the Treaty should be made to permeate their work through the good offices of the representatives of NATO member countries. The NATO Council itself may find in the future that it may usefully consider the broad politico-economic aspects of the trends in these organizations in the light of Article 2 and the relative developments in the Russian Bloc and in the Free world.

May I conclude by saying a few words about the relationship of my own country to NATO. I might begin by pointing out the geographical vulnerability of Canada in any future thermonuclear aggression. Lying as it does between the USSR and the United States, Canada is bound to be as much in the front line, should war break out, as any of the European countries of NATO. In the past, we have recognized the urgent needs of the defence of the European area of NATO, and have

contributed substantial forces and equipment to make up deficiencies. It is well known that at the present time we maintain an infantry brigade and an air division in full readiness in Europe. However, it is becoming increasingly evident that our responsibility in the defence of the North American sector of the NATO area increases with every improvement in the ability of the Soviet Bloc to launch long-range nuclear attacks, and we are fully aware of the importance to the whole alliance of our preparations to defend Canada and to play our part in the defence of the industrial heart of North America.

In addition to the Canadian Government's recognition of its defence responsibilities under the Alliance, my Government has also an active interest in promoting the non-military aspects of co-operation within the North Atlantic Community. It is our hope that new ways can be found to strengthen the sense of community which we feel with other member countries. Canada derives 85% of her imports from the North Atlantic area, and sends to it a similar percentage of her exports. I might add that nearly all of our population originated in other countries of the Alliance - a good and valuable part of them from Scotland, with whom Canadians have particularly close links of friendship and from which we derive some of our most cherished imports.

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