

STATEMENTS AND SPEECHES

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OUR NEW ATLANTIC PARTNERSHIP

Speech by Mr. Escott Reid, Canadian Ambassador to Germany, Hanover, May 6, 1961, at the North American Day Conference of the Hanover Fair.

In recent years there has been an increasing realization in all our North Atlantic countries of our increasing economic interdependence. One happy result of this has been the conception of a new economic partnership -- the Organization for Economic Co-operation and Development -- which is expected to be born this autumn. It is about the economic challenges and opportunities of our new Atlantic partnership as we see them in Canada that I wish to speak this afternoon.

It is an honour and a pleasure for me to have this opportunity to set forth the Canadian approach to the work of the OECD in the presence of this distinguished audience and in particular of the speakers who will follow me: Mr. Hodges, the Secretary of Commerce of the country whose initiative led to the formation of the new Organization; Dr. Kristensen, whom we have been so fortunate to secure as Secretary-General; Dr. Erhard, the great prophet of North Atlantic economic co-operation.

Economic Growth

The first of the three major objectives of the OECD is to achieve the highest sustainable economic growth and employment while maintaining financial stability. This aim is of fundamental importance not only in order to provide a more abundant life in freedom for the Atlantic countries, but also to enable these countries to provide a higher level of trade and investment in the newly developing areas of the world.

Although the Canadian economy, in parallel with the United States economy, has been expanding slowly and unevenly in recent years and although this slowing down of expansion has been associated with a higher level of unemployment than can be regarded as tolerable, Canada has maintained its belief in outward-looking solutions to economic problems. We have demonstrated this belief by our strong and active support of such institutions as the GATT and the International Monetary Fund in the field of trade, and

the World Bank and programmes under the auspices of the United Nations in the field of aid to less-developed countries. Canada has also provided considerable aid bilaterally through such programmes as the Colombo Plan.

Balance-of-Payments Problem

Canada has an unusual balance of payments and exchange-rate problem. An unfavourable current account balance emerged in the early 1950's and widened to almost \$1.5 billion a year in 1956 and 1957. Despite changes in the level of economic activity since that time, it has not fallen below \$1 billion a year. This is a very considerable amount for a nation of 18 million people. On merchandise account our unfavourable balance has diminished since 1956 but the unfavourable invisible balance has increased.

This large surplus of imports of goods and services is matched by, and is indeed largely the consequence of, a net inflow of foreign capital, the greater part of which has been long-term capital. The readiness of non-residents to invest in Canada and acquire Canadian securities has been sufficient to maintain the Canadian dollar consistently at a relatively high level in the exchange markets. This level of the exchange rate makes it more difficult for Canadian producers to compete with foreign goods in Canada and abroad, and is less welcome when the Canadian economy is not fully employed. This example serves to emphasize the difficulties involved in adapting our inter-dependent economies so that they may develop toward a high and rising level of economic activity.

There have been suggestions in Canada that we should attempt to meet some of our difficulties through policies amounting to economic isolation. Canada has, however, continued to follow policies which provide a favourable climate for productive investment by other countries in Canada and we have continued to seek an expansion of our trade and economic interests in and through an expanding world economy.

I assure you that Canada will continue to play its full part in promoting fruitful international economic co-operation. At the same time my country cannot ignore the internal problems to which I have drawn attention. In these circumstances, if the aims of the OECD Convention are to be realized, I suggest that a special responsibility rests with those OECD countries which are enjoying rapid growth and substantial balance of payments surpluses -- a responsibility to adopt outward-looking policies that will contribute to what I might term an "expansionist" solution of problems which other members such as Canada may be experiencing. The OECD can play a valuable role in encouraging such policies.

An expansionist solution of the current problems of the North Atlantic area, as well as the attainment and maintenance of a higher rate of economic growth, will be dependent to a large extent on the rate at which world trade can be made to grow. This is particularly true for Canada, where export trade accounts for twenty per cent of our gross national product of \$36 billion a year. Of vital importance to us are the economic stimuli to the Canadian economy which come from abroad, from the markets in which we sell our products. The same holds true, to a greater or lesser extent, for many other countries. Indeed for all the Atlantic countries trade is and must remain at the centre of our preoccupations when we are considering the question of economic growth.

Expansion of Trade

This brings me to the second objective of the OECD, the expansion of world trade on a multi-lateral, non-discriminatory basis.

Developments in this field have been rapid and significant in recent years. The most important factor is without doubt the establishment of a new economic and trading entity in Europe, the European Economic Community, which is the world's largest trading entity. This development, which has taken place concurrently with, and has contributed to, the achievement of stable and highly prosperous economic conditions in Western Europe, has already altered in a decisive way the balance of economic forces within our trading world. The economic conditions in the EEC and the commercial policies it follows will from now on have repercussions on other countries comparable in importance to those exerted by the United States economy. This implies a very heavy burden of responsibility on the members of the EEC. Because the repercussions of their policies are so great, their long-run interests require them, when formulating their policies, to take full account of the repercussions on other countries.

Canadian Misgivings

I know that sometimes we in Canada may appear to you in Western Europe to be critical of the EEC. I assure you that it is not that we do not welcome the new developments, for we sincerely do. We do, however, have some concern that, in solving the internal problems of the EEC, the member countries may tend to lose sight of the wider issues and objectives which concern us all. I would suggest that such fears in outside countries are inevitable and that these fears will remain until the policies of the EEC have been established, notably in the agricultural field, and it has been clearly demonstrated that these policies are outward-looking and not restrictive of trade.

I am happy to add that we have been encouraged by the signs in recent months that the members of the Community are becoming more aware of these "outside" problems and are anxious to find fair and trade-expanding solutions. Many difficult problems, however, remain to be solved.

Similar preoccupations and sympathies exist in Canada with respect to the other European regional grouping, the EFTA, which includes our second largest trading partner, the United Kingdom.

Because of our special links with the United Kingdom, and of our substantial trade interests in continental Europe, we are, of course, especially interested in the suggestions which have been made to broaden the benefits of free trade in Europe by associating in some way the EEC and EFTA, The Six and The Seven.

We in Canada have been steadfast supporters for many years of freer trade -- on a multilateral, non-discriminatory basis -- and we have in GATT actively supported all moves in that direction. We remain committed to this goal.

Repercussions of Regional Groups

It is clear, however, that the wider and the more economically significant a regional grouping is, the more crucial the repercussions it can have on the pattern and volume of world trade. The establishment of the OECD has reflected the recognition by countries on both sides of the North Atlantic that they have become so interdependent economically, that their future progress requires a very close and intimate co-operation in formulating and implementing their respective policies. We believe that the OECD can be an effective forum in which to discuss among ourselves the problems of The Six and The Seven and the related wider problems of promoting freer trade, and that in so doing the OECD can and must work hand in hand with GATT.

We also believe that, while a broader European trading arrangement could contribute to the lowering of trade barriers generally, it is essential that any moves or arrangements to prevent a trade split in Europe would not lead to a trade split between Europe and other parts of the world trading community or, equally important, that they should not impair the prospects for the progressive lowering of trade barriers on a wider, non-discriminatory basis.

It is, I submit, especially important that whatever moves or arrangements may be contemplated should take full account of the trading interests and problems of countries outside the North Atlantic area, and in particular of the less-developed countries.

Expansion of Less-Developed Countries

But much more is required on behalf of the less-developed countries, and this brings me to the third, and, over the long-term, possibly the most important, objective of the OECD, "the sound economic expansion of less developed countries throughout the world." While there are of course limits to what any one country can do, it

is not only right from a moral and humanitarian point of view but it is in our interests to encourage sustained economic development in the less-developed countries by making a continuing contribution that is related to the real needs of those countries.

The members of the Development Assistance Group, which will become the Development Assistance Committee of the OECD, have already accomplished a great deal through consultation and co-operation. Acknowledging the urgent needs of the less-developed countries, they have at their latest meeting recommended an expansion in the aggregate volume of the resources made available for economic aid, and an improvement in the effectiveness of that aid.

Canada Favours Outright Grants

While there is no dispute about the objectives we all seek -- the greatest flow of aid consistent with our means and our capabilities -- there are differences of emphasis about the best form this aid might take. Canada's aid programmes, which are now in their tenth year, have been based on the provision of aid through outright grants, and it remains the view of the Canadian Government that this is, by and large, the best form of aid, since it places the least burden on the economies and the balance of payments of the recipient countries. At the same time we recognize that conditions vary from country to country (among donors as well as among recipients) and that there are circumstances where other forms of aid will best serve the purposes required.

The most important factor would seem to be that aid should be related to the economic requirements and capacity of the country receiving it and the particular purpose for which the aid is required. The developed countries for their part should examine how their aid programmes could best be improved and made to suit the needs of the less-developed countries.

The aid efforts of the richer, industrialized countries will fail in their objectives, however, unless they are matched by equally imaginative and determined efforts on their part to provide sales opportunities in their markets both for the staple agricultural and industrial exports of the less-developed countries and also for the products of their new industries. The need for progress in this direction is becoming urgent as development programmes begin to take effect in these countries. We shall also have to give more thought in the future to measures for reducing to a minimum fluctuations in the prices of primary products.

The benefits to be derived from the expansion of world trade resulting from the advancement of the less-developed countries are immense, but the problems facing us are likewise immense. It is to the solution of these problems that we must direct our energies

and our attention, so that the efforts the less-developed countries are making to throw off the yoke of poverty, ignorance and disease shall not be in vain.

Our new Atlantic partnership in the Organization for Economic Co-operation and Development presents us with challenges and opportunities. I have this afternoon suggested some of the ways in which my country, Canada, considers that we of the North Atlantic Community can rise to these challenges and seize these opportunities.

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