

After attempts failed to get the majority of countries in Europe into a general European free trade area, the European Free Trade Association (EFTA), composed of the United Kingdom, Norway, Sweden, Denmark, Austria, Switzerland and Portugal, was brought into being by the Stockholm Convention of Nov. 20, 1959. This group of nations represents a market of 90,000,000 persons. The participating countries have already reduced duties on most industrial goods produced and sold among themselves by 20 p.c. as from July 1, 1960, and hope within ten years to establish a free trade area between members. Each nation will fix its own tariff against the world.

The implications on world trade of these two powerful groups are manifold and efforts on a broad front are being made to prevent Western Europe from splitting into rival and competitive blocs. An important step was the formation of the Organization for Economic Co-operation and Development (OECD), set up in Paris on Dec. 14, 1960. By including Canada and the United States, this new organization of 20 countries will take the place of the Organization for European Economic Co-operation (OEEC) founded in 1948, which was composed of 18 European nations and whose task of bringing postwar economic recovery to Western Europe has been largely accomplished. The main objectives of the OECD will be to encourage economic and financial growth within member countries, to contribute to the sound expansion of the under-developed countries and to work for an increase in world trade on a multilateral and non-discriminatory basis. Membership by Canada and the United States underlines the interdependence of the economies of the Atlantic countries.

In Latin America, two trade groups are in the formative stage. The Latin American Free Trade Area (LAFTA), set up by a convention initialed in Montevideo on Feb. 18, 1960 and subsequently ratified by the respective governments, seeks to bring Argentina, Brazil, Chile, Mexico, Paraguay, Peru and Uruguay into a free trade association. It is possible that other South American nations may join the group. The intention of the Association is to remove all tariffs and trade barriers between members within 12 years and thus to increase their output and prosperity. A treaty signed in Managua on Dec. 13, 1960 between El Salvador, Guatemala, Honduras and Nicaragua created a Central American Common Market. Arrangements were made for future participation by Costa Rica. The treaty provides for the abolition of duties on goods produced within the integrated area and the eventual establishment of a common tariff for the remainder of the world.

During 1960, progress was continued toward the liberalization of international trade and payments arrangements. The free world trading nations associated in the General Agreement on Tariffs and Trade (GATT) took further steps toward the reduction of duties and the removal of import restrictions and the general convertibility of currencies, in keeping with improvements in their financial and economic conditions. However, import controls for agricultural products are still maintained by many countries. The principles of a common tariff applicable to all nations whose goods enter the European Common Market have been largely agreed to by EEC members and negotiations are being conducted toward its implementation with those countries adhering to the GATT.

From the Canadian point of view, the main question posed by the formation of these regional trade groups is how this new situation will affect Canada's agricultural and other exports to the various member countries. In particular, the common external EEC tariffs on a number of important Canadian exports, such as lumber, wood pulp, synthetic rubber and aluminum, are in process of being settled through negotiation among the Common Market members. Also, with regard to the EFTA, there is the problem of possible difficulties created for those Canadian exports that might be affected by the eventual disappearance of the preferential treatment which they have been traditionally enjoying in the United Kingdom market. Though not yet as important as trade with Europe, there is also a growing market for Canadian exports in Latin America and in 1960 over half of these were destined to countries of the LAFTA group. In view of the vital importance to Canada's economy of free and multilateral trade, these latest world developments in the field of common markets are of considerable interest to this country.