

CANADIAN ATTITUDES TOWARD THE EUROPEAN COMMUNITY

Following are some views of one observer from the Washington office after several days in Canada recently talking with government officials, members of the press, private research groups, and business leaders.

Conflicting attitudes formed during the Community's negotiations with the United Kingdom persist in Canada today. A considerable difference of opinion exists between the government and the private sector. Canadian policy in the Kennedy Round and Canada's place in the Atlantic partnership are due, in large measure, to the events of January 1963, current business conditions, and the present domestic political situation.

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An Uncertain Government Moves Cautiously

The Conservative government of John Diefenbaker decried the British decision to open negotiations with the Community. Diefenbaker's appeal to Commonwealth ties was strongly emotional and evoked a favorable response among Canadians. Relatively little was said by the Prime Minister about the economic consequences of an expanded Community, though it was pointed out by some that Canada not only had little to lose if Commonwealth preferences were abolished, but, in fact, stood to gain a strong foothold in the European market.

Economic conditions in Canada during 1962 were recessive. The increase in the GNP was just barely keeping ahead of population growth. Business leaders were reluctant to trade the apparent certainties of Commonwealth preference for a new relationship with an enlarged European Community.

Both government and business breathed a sigh of relief when the negotiations were suspended in January 1963. Business was spared large-scale adjustments at a time when the economy was beginning to pull out of the slump. For the government, it meant the vindication of its policy of opposition to Britain's joining the Community, and ample time to prepare itself in case the question arose again.

The Liberal party, then in opposition, deplored the events of January 1963. When the Liberals, led by Lester Pearson, took the reigns of government three months later, observers looked for a marked reversal in Canadian economic policy. Business leaders feared that the Liberals, traditionally free-traders, would offer substantial concessions during the Kennedy

Round without considering the economic consequences. Pearson quickly dispelled these fears by announcing that the government would be willing to accord concessions only on the basis of complete reciprocity.

In the last year, Canada has been playing a somewhat unique role in the Kennedy Round negotiations. It has been unable to agree to a linear cut in its tariffs for two reasons: first, the preponderance of its exports are in the agricultural sector and consequently would not benefit from linear tariff cuts; and second, the greatest part of its trade is with the United States. The U.S., not Canada, would benefit substantially if the linear rule were applied. Other members of GATT have accepted the need for Canada to be given a special position in the negotiations, though not without some reticence. Canadian tariff negotiators are acutely aware that Canada's maneuverability in the Kennedy Round is limited by the special status given it. For this reason and perhaps because of a feeling of isolation, these negotiators and officials in the Departments of External Affairs and Commerce and Trade are reluctant to let themselves become overly optimistic about the Kennedy Round.

The Canadian government is not forced to take a strong stand on the level of the linear cut, disparities, the exceptions lists, or even on agriculture. The first two are of little importance to a country that is itself exempted from the linear cut rule and which is pledged to getting complete reciprocity for all concessions. The fact that exceptions lists may be short or long does not concern Canada, which will be submitting a negotiating list not an exceptions list. In the agricultural sector, the chief Canadian farm export to the Community is hard wheat which will be largely unaffected by the Common Agricultural Policy. Even if a relatively high common grain price is adopted by the EEC, Canadian exporters do not expect that their markets will be seriously affected.

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Business Turns the Corner

If the government is warily optimistic about the Kennedy Round, business is more openly in favor of its success. The main cause of this optimism (which even renewed EEC-United Kingdom negotiations would probably not diminish) is the continuing economic upswing. Once again, the business picture may be strongly influenced by economic developments south of the border.

Business leaders attribute much of their optimism to their discovery that the Community has encountered difficulties and even economic setbacks. Paradoxically for this reason, they look more favorably on long-term trade relations with the Community.

A significant part of Canadian exports are accounted for by the pulp and paper industry. Industry leaders are still displeased by the common external tariff provisions on pulp and newsprint, but they forecast that a rapidly growing European demand will mean increased shipments even if pulp and paper are on the EEC exceptions list. They would, however, regard such a move by the EEC as a clear sign of protectionism.

The business community has a confidence in the Liberal government that it did not feel for the Conservatives. Surprisingly, they find the Liberals more hard-headed and less prone to base their policies on emotional appeals to certain groups of the voting population. Most of the doubts about Liberal free-trade policy have been overcome by repeated government assertions that it will insist on the rule of reciprocity.

The Quebecois, standing apart from the rest of the industrial East, display less interest in the economic prospects of trading with the EEC even though their own efforts have done much to strengthen the overall position of Canadian business. Quebec is now undergoing a major economic renaissance resulting not from Quebec nationalism but from the realization that the inward-looking Quebec society had kept the province from enjoying many of the benefits of the industrial revolution. In a single mighty effort, Quebec is expanding existing enterprises, entering new areas of endeavor, and sending new people into the top levels of management. While this effort is directed exclusively at the rapid economic betterment of Quebec, it is serving as a stimulus to business throughout the eastern part of the country.

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If Britain Enters the Community

Both government and business officials are now willing to discuss the problems that would face Canada if the British application for membership in the Community were again under active consideration. All realize that this is not likely to happen in the near future. For this reason, perhaps, the government has not been studying the policies that might be adopted under such circumstances. It is not making use of the breathing space it acquired in January 1963. Instead, the Liberals are preoccupied with domestic problems which must be settled before the end of 1964.

Most observers agree that British entry into the Community would isolate Canada economically. An expanded Community would mean the end of a meaningful Commonwealth and the erection of a common external tariff around as many as thirteen European countries. It would probably mean that the United States would move to establish an extensive new trading relationships with the new Europe. In this regard, Canadians are quick to point out that it was the 80 per cent rule of the Trade Expansion Act

which caused them the most concern mainly because they were not eligible to take part in those reductions.

Canada's leaders would probably not resist the British entry but would seek a stronger and somewhat more formal trade relationship with the United States. Most interest focuses on a North American free trade area. Knowledgeable Canadians recognize that the main opposition to such a proposal will be found in the U. S. Congress. Yet they believe that considerable trade advantages from a free trade area would accrue to the United States. If the current automobile parts trade policy is successful, Canadians will consider it a favorable omen for more extensive arrangements. Under the automobile parts plan, Canadian manufacturers would be able to specialize in the production of certain parts of automobile models for all of North America in return for which the Canadian market would be completely opened to U. S. automobile exports. This product seems the best suited for such an arrangement since almost all Canadian automobile production is American-owned.

Research groups such as the Canadian-American Committee (formed by the Private Planning Association of Canada and the American National Planning Association) are undertaking long-range studies of the free trade area and other proposals. Many observers believe that even if the automobile parts arrangement is not acceptable to the U. S. Congress, the free trade area proposal would have to be supported by Canada if Britain entered the European Community.

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Canada's Image in the World

Canada is currently struggling to find a national identity. The debate on the national flag -- whether the British ensign should be replaced by a distinctively Canadian maple leaf design -- is a tangible indication of this struggle.

The controversy is, of course, stimulated by the differences between the French-speaking population and the descendants of the British colonialists. Canadians of French origin still have strong feelings about what they call the English "conquest." Opportunities in government and business continue to be denied them because they are not fluent in English. Yet this does not mean that one part of the country has a pro-French policy and the other a pro-British policy.

The French-speaking Canadians have an ambivalent attitude toward France. On the one hand, they are proud to share the same culture and tradition as the French. For this reason, they understand the appeal of General De Gaulle's quest for "grandeur." On the other hand, French Canadians have

become increasingly oriented toward North American culture and many feel uncomfortable when they visit France, much to their own surprise.

Canadians of British origin sense almost no real ties with Great Britain. In addition, some, tired of nationalism, are willing to consider seriously the union of Canada (or large parts of it) with the United States. These Canadians are gradually coming to the conclusion that Canada can have no unique national identity. There is, however, a sizeable percentage, of a non-French, non-British European origin, which remains loyal to Britain in her role as head of the Commonwealth. The most vocal spokesman of this group is John Diefenbaker.

The national identity Canada has been seeking may arise not from its ethnic make-up but from its position as one of the strongest and largest of the middle powers. Canada seeks to mediate. Its role in numerous United Nations peace-keeping forces is an outgrowth of this policy and is directly linked to Prime Minister Pearson, who won a Nobel Peace Prize for his U.N. activities. In addition, because it embodies elements of both cultures, Canada has traditionally claimed the right to mediate between Europe and the United States.

Many Canadians seem to be tiring of the mediator's role. First, they do not believe that mediation can be very effective since Canada is clearly not a neutralist power but is firmly on the side of the West. Second, U.N. activities mean the commitment of Canadian troops to war zones, which will probably be increasingly difficult to justify as the U.N. enters additional trouble spots. Third, the tradition of mediation between Europe and the United States seems to have lapsed because of the growing ties between the North American neighbors. Only some French Canadians, seeking to justify their leanings toward a Gaullist policy, still claim that this role is important.

One recent case indicates the extent to which domestic Canadian politics affect the mediator role. Canada has not been pressed by the United States to take part in the multilateral force nor has it sought to mediate between the French and the American positions on the MLF-European nuclear force question. Neither major political party wishes to raise the question before the Canadian electorate because in a period of sharp domestic controversy they are unable to gauge public reaction to any policy concerned with nuclear weapons. Thus Canada has kept silent.

Canada seeks diversity in the Atlantic area for it does not want to be swallowed up by American policies while in the process of discovering a national identity. Yet there is greater awareness that European unity will mean either closer alignment with the United States or isolation in the Atlantic area. Canada is ready to construct new ties with the United States but would regret losing the power to pursue an independent

course -- perhaps such as in trading with Communist bloc countries.

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The Community and Canadian Information Media

Most of the press and the Canadian Broadcasting Corporation are eager for more Community news and information. Until the present, they have relied largely on indirect sources of information. Increasingly they are receiving information through the Washington office of the Communities and have indicated a willingness to make use of it. Much of the Canadian public is not ready, however, to follow day-to-day Community developments closely. There are signs of a growing interest in the business community and in such parts of the government as the Departments of External Affairs and Commerce and Trade, and the Bank of Canada in more detailed and timely information on the Community.

Part of this growing need can be met by the services of the Washington and New York offices of the Communities. The member of the EEC official spokesman's group concerned with North American affairs can help ensure that certain material of special interest to Canadians is channeled to them quickly. Visitors from the Communities to the United States can increasingly add Canadian stops to their itineraries.

In 1967, Montreal will play host to an officially-sanctioned World's Fair where over 30 million visitors are expected. The Community should consider participation in this fair especially if other international organizations and the member states participate, as they did in Brussels in 1958. 1967 also seems the appropriate year for the establishment of a Community office in Canada. The most desirable location would be in Montreal, Canada's largest city, center of French and English culture, and one of the two most important business centers. The establishment of such an office would meet a growing need and indicate to Canada that the Community, as well as the United States, has a vital interest in establishing closer relationships with it.

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G. L. W.
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