1

37353

National Library of Canada
Bibliothèque nationale du Canada

CANADIAN THESES
ON MICROFICHE

THÈSES CANADIENNES
SUR MICROFICHE

NAME OF AUTHOR/NOM DE L'AUTEUR G. Brian Oak

TITLE OF THESIS/TITRE DE LA THÈSE Canadian Counterweight Foreign Policy: The Example of the
Framework Agreement with the European Community.

UNIVERSITY/UNIVERSITÉ Carleton University

DEGREE FOR WHICH THESIS WAS PRESENTED/
GRADE POUR LEQUEL CETTE THÈSE FUT PRÉSENTÉE Master of Arts

YEAR THIS DEGREE CONFERRED/ANNÉE D'OBTENTION DE CE DEGRÉ 1978

NAME OF SUPERVISOR/NOM DU DIRECTEUR DE THÈSE Professor T.N. Brewis

Permission is hereby granted to the NATIONAL LIBRARY OF CANADA to microfilm this thesis and to lend or sell copies of the film.

The author reserves other publication rights, and neither the thesis nor extensive extracts from it may be printed or otherwise reproduced without the author's written permission.

L'autorisation est, par la présente, accordée à la BIBLIOTHÈQUE NATIONALE DU CANADA de microfilmer cette thèse et de prêter ou de vendre des exemplaires du film.

L'auteur se réserve les autres droits de publication; ni la thèse ni de longs extraits de celle-ci ne doivent être imprimés ou autrement reproduits sans l'autorisation écrite de l'auteur.

DATED/DATE 12 May 78 SIGNED/SIGNÉ G. Brian Oak

PERMANENT ADDRESS/RÉSIDENCE FIXE Apartment 402, 150 MacLaren Street, Ottawa, Ontario.

National Library of Canada

Cataloguing Branch
Canadian Theses Division

Ottawa, Canada
K1A 0N4

Bibliothèque nationale du Canada

Direction du catalogage
Division des thèses canadiennes

NOTICE

The quality of this microfiche is heavily dependent upon the quality of the original thesis submitted for microfilming. Every effort has been made to ensure the highest quality of reproduction possible.

If pages are missing, contact the university which granted the degree.

Some pages may have indistinct print especially if the original pages were typed with a poor typewriter ribbon or if the university sent us a poor photocopy.

Previously copyrighted materials (journal articles, published tests, etc.) are not filmed.

Reproduction in full or in part of this film is governed by the Canadian Copyright Act, R.S.C. 1970, c. C-30. Please read the authorization forms which accompany this thesis.

**THIS DISSERTATION
HAS BEEN MICROFILMED
EXACTLY AS RECEIVED**

AVIS

La qualité de cette microfiche dépend grandement de la qualité de la thèse soumise au microfilmage. Nous avons tout fait pour assurer une qualité supérieure de reproduction.

S'il manque des pages, veuillez communiquer avec l'université qui a conféré le grade.

La qualité d'impression de certaines pages peut laisser à désirer, surtout si les pages originales ont été dactylographiées à l'aide d'un ruban usé ou si l'université nous a fait parvenir une photocopie de mauvaise qualité.

Les documents qui font déjà l'objet d'un droit d'auteur (articles de revue, examens publiés, etc.) ne sont pas microfilmés.

La reproduction, même partielle, de ce microfilm est soumise à la Loi canadienne sur le droit d'auteur, SRC 1970, c. C-30. Veuillez prendre connaissance des formules d'autorisation qui accompagnent cette thèse.

**LA THÈSE A ÉTÉ
MICROFILMÉE TELLE QUE
NOUS L'AVONS REÇUE**

CANADIAN COUNTERWEIGHT FOREIGN POLICY:
THE EXAMPLE OF THE FRAMEWORK AGREEMENT
WITH THE EUROPEAN COMMUNITY
(1972-76)

by

G. Brian Oak, B.A.

© April, 1978 by Brian Oak

A Thesis submitted to the Faculty of
Graduate Studies and Research in partial
fulfilment of the requirements for the degree of
Master of Arts
in International Affairs

The Norman Paterson School of International Affairs
Carleton University
Ottawa, Ontario
Canada

April 11, 1978

The undersigned hereby recommend to the Faculty of Graduate Studies and Research acceptance of this thesis, submitted by G. Brian Oak, in partial fulfilment of the requirements for the degree of Master of Arts.

John H. Sigler, Director
The Norman Paterson School of International Affairs

Thomas W. Brewis
Supervisor

ABSTRACT

On July 6, 1976, Canada signed a "Framework Agreement" for trade and economic cooperation with the European Community. By doing so, Ottawa inaugurated what it hopes will be a viable source of commercial counterweight to an overwhelming United States presence in its everyday life. This act was a product both of an historical tendency to seek out external balances when dealing with the "American problem" and of various conditions which existed in the early 1970s. It was also a result of four years of often confused negotiations. To many these talks seemed to do more to establish the EC Commission's credibility than the Trudeau Government's, but this impression was deceptive. Whether or not the Agreement will succeed in accomplishing its originally intended purpose is a very large question mark, given current and projected economic conditions in the North Atlantic area.

TABLE OF CONTENTS

INTRODUCTION	1
CHAPTER	
I CANADIAN COUNTERWEIGHT FOREIGN POLICY: AN HISTORICAL OVERVIEW	17
a Counterweights and American "Manifest Destiny" (1861-71)	
b Counterweights and The Anglo-American Power Axis (1871-1945)	
c International Organizations as Sources of Counterweight (1945-57)	
d Counterweight Lost: The Diefenbaker-Pearson Years	
e Counterweights as Official Government Policy: The Early Trudeau Era (1968-72)	
Notes	
II THE EUROPEAN COMMUNITY AS COUNTERWEIGHT?: DECIDING ON THE CONTRACTUAL LINK	66
a Environmental Factors and Subjective Interpretations	
1 External Influences	
2 Internal Influences	
3 Subjective Interpretations	
b Canada's Value to Europe	
Notes	
III "A BLAND BUCKET OF FOG"?: NEGOTIATING THE CONTRACTUAL LINK	119
a Problems Posed by the Community	
b The Process	

- 1 Laying the Groundwork (June 1972-October 1974)
 - 2 The Trudeau Initiative (October 1974-May 1975)
 - 3 The Community Response (May 1975-July 1976)
- c An Assessment

Notes

IV THE POTENTIAL OF THE FRAMEWORK AGREEMENT AS
COUNTERWEIGHT: BIG BUST OR SMALL ADVANCE 195

- a The Record To Date
- b The Barriers To Success
 - 1 The State of the European Community
 - 2 The Investment Climate in Canada and Its Implications
- c Canadian Counterweight Foreign Policy in the 1970s: An Appraisal

Notes

SELECTIVE BIBLIOGRAPHY

Introduction

On July 6, 1976, Canada and the European Community signed a Framework Agreement, or "contractual link"¹, for commercial and economic cooperation. This agreement, it was claimed, would provide an operating mechanism within which future joint ventures, increased two-way investment, technological and scientific exchanges, and the sharing of information on industrial and economic matters might be conducted and facilitated. It would promote, in the words of the official joint press release covering the signing, "the development of a closer and more vigorous relationship" between the two signatories.²

The final signing was an outcome of four years of effort, initiated and sporadically pursued in the early stages by the Canadian Government and later negotiated in earnest by both parties. This effort was highlighted by several trips to Europe by Prime Minister Trudeau to advance the idea to Community leaders. It saw the opening of a European Community office in Ottawa, only the third such establishment among the EC's industrial partners (the others being in Washington and Tokyo). And it heralded, on the part of the Common Market, a precedent-setting decision to expand its mandate in the conduct of foreign relations. These events illustrate the importance both sides have placed on the contractual link concept.

However, the negotiations also prompted a certain amount of skepticism, especially in the press and business circles, where observers have been at a loss to unravel what exactly the concept of a Framework Agreement means, or what it is to provide for both sides. Is it really no more than "a bland bucket of fog", the colouring given it by a spokesman for the Canadian Manufacturers Association?³ Indeed, confusion has not been restricted to outsiders. On more than one occasion, European leaders, Canadian negotiators, and the prime mover of the project itself, Mr. Trudeau, have publicly wondered what concrete benefits their efforts would produce. The July 6 document is itself a reflection of this uncertainty. Stressing the "framework" aspect of the accord, Ottawa and Brussels pointed out that the arrangement is only an "agreement to agree" to future transactions. The hard, factual content has yet to be developed and will come about only gradually as business interests on both sides reach new agreements concerning cooperation in their respective fields.

The gestures indicating the apparent importance of the contractual link would seem at odds with the criticism levelled against it. Moreover, the lack of any immediate return from the pact has helped promote a general public apathy and has largely camouflaged the reasons for governmental enthusiasm. Why then has the Framework Agreement been touted, in the words of one prominent Canadian

Cabinet minister, as an "important milestone" in trans-atlantic relations and as an event "unique among industrialized countries...."?⁴ The answer for the EC is largely one of practical economics: Brussels hopes to gain long-term access to an assured supply of raw materials for its manufacturing interests. For Canada, it rests with political considerations existing outside the immediate boundaries of the link itself. These considerations have to do with what has come to be known as "counterweights" in foreign policy decision-making.

Because this paper seeks to analyze contemporary Canadian-Community relations from the perspective of the former, it is essential that this concept of counterweight be understood. One authority has defined Ottawa's current manifestation of the term as "Intensifying relations with other countries in order to diminish Canada's vulnerability to changes in American society or American policies."⁵ Indeed, the worry of being juxtaposed beside the United States has long reflected itself in the country's external posture. In the early days of Confederation, for example, Britain was clung to tenaciously, as a very real southern expansionist mentality threatened to put an end to the Canadian experiment in nationhood. When confronted with damaging protectionist measures devised by Washington at the time of the Great Depression, the response from Ottawa was again to seek the aid of the mother country. And under the East-West bloc psychology of the Cold War years, Canada

strove to distinguish itself from the U.S. through what might be described as "constructive internationalism".

Today, America is the focal point of another chronic concern. How does a state with a limited domestic market guarantee its long-term economic and political viability beside a larger, more powerful neighbour without succumbing to the forces of integrative homogeneity? To situate the Framework Agreement theoretically, it might be useful to examine three schools of thought on this crucial problem.

At one end of the spectrum, there is the "nationalist" formula. This school derives its inspiration from what it sees as the dangers inherent in a North American interrelationship based on classical assumptions of comparative economic advantage. Lowering tariffs to encourage greater specialization in efficient resource extraction, while discouraging inefficient manufacturing operations, fails to provide an effective answer to the broader socio-political concerns facing Canada, it is argued. Kari Levitt, for one, feels that in the context of an economy dominated by branch plants and subsidiaries, becoming more closely integrated economically with the U.S. will only weaken Canada's internal cohesion, perpetuate the "technology gap", and deprive this country of the "dynamic comparative advantage" accruing to indigenous technological advance and innovation. The traditional dogma, she insists, fails to take into account the competitive strategy of the modern multinational corporation, as well as of the

political relationships between these corporate giants and their home government.⁶

Furthermore, the loss of sovereignty implicit in the branch-plant economy may yet prove to carry a substantial economic cost. In the words of Levitt:

Historical experience in the past century indicates that the key to economic strength lies in the creation of a cultural, social and political milieu which favours indigenous initiatives. This is an area of social science about which we know very little. There is no a priori reason to believe, however, that contemporary improvements in communication and the increased interdependence of the world have diminished the ability of smaller countries to achieve a high standard of living by adopting policies which protect their populations from cultural and economic absorption into the super-empires. On the contrary, it may well turn out that countries much poorer than Canada can escape from poverty and unemployment only by deliberately blocking further penetration by the multinational corporations.⁷

The nationalists believe that the formulation of Canada's public policy - both internal and external - is profoundly influenced by Ottawa's economic posture. The argument that a higher material standard of living (derived from closer continental ties) will likely encourage and facilitate the pursuit of distinctly national objectives is absurd, they say, given that all economic decisions have deep-seated political and social consequences. If Canadians wish to be able to choose that which they like and reject that which they do not, the conflict between the imperatives of the multinational corporation and the sovereignty of the nation state will have to be resolved in favour of the latter.

How is this to be accomplished? "Only massive and imaginative intervention by the public sector can re-shape the structure of the Canadian economy to accord with the real human needs of our time," states Levitt.⁸ It is stressed, rather inconclusively, that economic nationalism does not mean the protection of industry by tariffs but rather the protection of local entrepreneurial initiative, particularly in the strategic "new technology" areas.

Policies designed to shield against detrimental penetration by U.S. direct investment "will have to be complemented by a lowering of Canadian tariffs on commodity imports from all sources."⁹

In contrast to this demand for greater economic self-reliance, the continentalists - a second group involved in this debate - feel that an obsessive concern with the North American interrelationship is self-defeating. Instead of moving away from our neighbours to the south, we should in fact be doing just the opposite. A Canada-United States Free Trade Area (CUFTA), they argue, would rationalize our productive base and bring unquestionable material benefits, without sacrificing political or cultural independence. Indeed, under such an arrangement, national autonomy would probably be enhanced. It is pointed out that integration scholars, faced with the experience of Europe and of other free trade areas (FTA), now reject the "neo-functionalism" concept of international integration as a uni-directional, irreversible process. Change in one dimension, such as the

economic, does not necessarily entail comparable change in other dimensions.

To further back up their contention, the continentalists attack the conventional wisdom surrounding the so-called "disparate dyad" relationship. They point to the findings of Naomi Black to dispell the notion that the material attractiveness and power of the larger nation in such a bilateral system irreversibly increases the absorptive propensity of the smaller:

Though close and enduring interactions exist between pairs of nations of vastly unequal power, such interactions seem unlikely to lead to a fusion of the two units. Furthermore, such interactions will tend to make merger increasingly...less likely. Nor are such interactions likely to increase indefinitely...even for a single aspect of economic or cultural life...Neither absorption nor sector take-over seem to be important threats.¹⁰

Lack of symmetry, Black has reasoned, implies differences in perception. The weaker component instinctively feels threatened by the larger and believes that a more equitable distribution of benefits is never achieved. Furthermore, "to become more and more like the top dog would mean to increasingly accept criteria that downgrade anything distinctive about its own activities".¹¹ Particularly in such situations, "linguistic and cultural self-awareness and differentiation seem actually to be stimulated by increased economic interdependence".¹² Thus, the more the smaller national actor perceives the system to be integrated, the more the integrative process is likely to be resisted,

perhaps even reversed. "By foreseeing absorption", Black concluded, "nationalists are part of what makes absorption impossible".¹³

The argument supporting the validity of the Black hypothesis for North America is persuasive. It is noted that the rapid post-War process of economic integration on the continent has given rise to an attitudinal reaction among Canadians. Relations with the U.S., once a "partnership", are seen now in more distinctive "we-they" terms. Mounting concern over the effects of cultural domination has generated new-found opportunities for the country's artists to prosper at home. Non-governmental organizations, such as the trade union movement, as well as the governing elite itself, have shown a responsiveness to the "American problem". Thus, the continentalists reason, if a CUFTA were established, the increase in transnational transactions would unlikely be so large as to greatly affect other areas of integration.

The advantages of such an arrangement, on the other hand, cannot be underestimated. Peyton V. Lyon, for one, feels it not inconceivable that Canada would become less dependent in a CUFTA upon exports to the U.S. market; with free trade, the prospects for greater manufacturing efficiency, and consequently of increased sales to third countries, would improve. American-bound exports themselves might well undergo a qualitative change, as end-products gradually emerge as a much more significant component of the southern flow. The new-found wealth and productivity

generated by these developments would, in turn, reduce Canada's dependence on foreign capital and promote a greater confidence in external dealings (not least of all with the U.S.). And an open economic border would encourage the means and probably the inclination to spend more on regional development, welfare, pollution control, foreign aid, education and the arts which, by extension, would augment national cohesion, identity, and autonomy.¹⁴

The continentalists provide answers to all the skeptic's questions. Yes, there might be some loss of status for Canada in a CUFTA. But in international economic circles we are already widely regarded as part of the American system. In other contexts, moreover, the country is recognized even by the communist powers, as having interests and views of its own. But would not our independence in the sense of effective freedom of choice be further constrained? After all a CUFTA being more valuable to Canada than to the United States, might well entice Washington to intimidate Ottawa by threatening abrogation. This scenario is countered by referring to a 20th century North American diplomatic culture that does not support such action. In fact, a more likely result would see a free trade area reduce such constraints. Continentalists contend that the principal limitations on Canadian independence arise not from American ownership of the country's industry but rather from a heavy reliance upon sales, especially of the manufactured variety, to one market. Changes in U.S.

import regulations, tariffs, or quotas make us extraordinarily vulnerable. It is precisely this vulnerability that could be dramatically reduced if an effective CUFTA were to create the certainty of an adequate market for Canadian products. Such a trade pact, guaranteed by treaty, would thus result in a net gain in national autonomy. The biggest question mark associated with the free flow of goods concerns the possibility of a satisfactory negotiation. Would not the Americans, in order to make it worth their while, insist on secure and equal access to Canada's precious sources of energy? Would a CUFTA permit a particularly important Canadian requirement - programmes of regional development? Professor Lyon argues, on the one hand, that the conservationist mentality in fuel resource matters is in many ways counter-productive, and, on the other, that regional problems are a mutual concern, subject to negotiable discussion.¹⁵ Perhaps the only question this school finds difficulty answering is the one which has always stood in the way of a North American free trade option: Would the gains in GNP resulting from the arrangement suffice to offset the costs of the divisive domestic debate that would inevitably accompany its establishment?

A third approach to the problem of ensuring Canada's economic prosperity as well as its independent integrity attempts to bridge the gap between the other two points of view. One may label this the "diversionist" school, and its adherents are those who have the responsibility of

dealing with the dilemma - Ottawa's policy makers. Like all middle-of-the-road solutions, this approach seeks to adopt the best of the extremes to produce a broadly appealing, if not overly optimistic, plan of action. It is reasoned that while nationalist demands for less economic involvement with the U.S. cannot be practically accepted in the "negative" sense (i.e. without providing external substitutes capable of ensuring the same level of affluence Canadians have come to expect), they can be adopted gradually through a more "positive" and palatable policy designed to substantially diversify trade beyond North America. And if continental free trade, which underscores the considerable economic advantages inherent in markets of scale, poses disturbing questions to a country long fearful of embracing its southern neighbour wholeheartedly, something less intimate (i.e. a continued high level of north-south commercial interaction but with existing barriers intact), coupled with optional large-scale market possibilities, is perceived to be a prudent alternative.

This, in any event, would appear to be the thinking behind the Trudeau administration's celebrated "Third Option" strategy unveiled in 1972. Then External Affairs Minister Mitchell Sharp explained the meaning of this concept by referring to the alternatives open to the Government in its conduct of foreign policy:

In practice three broad options are open to us: (a) we can seek to maintain more or less our present relationship with the United

States with a minimum of policy adjustments; (b) we can move deliberately toward closer integration with the United States; (c) we can pursue a comprehensive, long-term strategy to develop and strengthen the Canadian economy and other aspects of our national life and, in the process, to reduce the present Canadian vulnerability.¹⁶

By formally adopting the third approach, Canada reaffirmed its commitment to a posture which it has traditionally employed to resolve the "American problem" - that of utilizing counterweights. As the events of the last few years leading up to the signing of the Framework Agreement have indicated, Ottawa sees the European Community as a principal operative in this endeavour.

This paper is a study of Canadian counterweight foreign policy using as its focal point the contractual link. Such an investigation is warranted for several reasons. Because the negotiations have concluded only recently, the literature relating to the exercise has tended to interpret or evaluate too narrowly. The lack of understanding and general confusion surrounding the link is partially attributable to this fact. While frequent reference is made to Canada's determination to create a European counterweight, there has been little effort to put this objective into a broader perspective. Several questions remained unanswered as a result. How has the country historically prevented itself from becoming an American possession, and does the Framework Agreement represent a new variation on this theme or a continuation of past practices? What is the likelihood of the link,

achieving what it set out to do? Will it bring substantial trade benefits for both parties or is it merely an exercise in political expediency?

Another major drawback of the Agreement's coverage has been the lack of attention paid to the internal workings of the pact itself. No systematic attempt has been made to explain why the Canadian Government decided to pursue a special relationship with the European Community at the time it did or why the Community deemed a link with Canada important enough to alter its own external conduct. Moreover, the step by step negotiation process stretching over a four year period has never been sufficiently described. Brief reference to the highlights of the process, such as to the Prime Minister's European visits, does not represent a detailed chronology.

This study will attempt to compensate for these inadequacies in a four part analysis. Parts one and four will place the Framework Agreement in a broader time perspective by explaining the historical precedence which helped shape the thinking of this latest example of counterweight usage, and by speculating on its chances of success. The other sections will deal with the internal workings of the Agreement itself. Part two will explore the decision-making process, primarily from Ottawa's point of view, to determine the immediate raison d'être for the accord. Part three will trace the negotiation process to the final signing, explaining both the pitfalls and breakthroughs

during four years of talks.

NOTES - INTRODUCTION

- 1 Both terms describe the same accord and will be used interchangeably throughout this paper. It should be noted, however, that "Framework Agreement" is the official title and the one preferred by the Europeans. "Contractual Link" (or simply "link") is the rather misleading phraseology favoured by Ottawa.
- 2 Canada, Department of External Affairs, "Joint Communiqué, Framework Agreement For Commercial and Economic Cooperation Between Canada and the European Communities", Communiqué, No. 70 (July 6, 1976), 2.
- 3 Cited in The Globe and Mail, 10 June, 1976, "What is Ottawa's EEC agreement?"
- 4 Canada, Department of External Affairs, "Notes for a Luncheon Statement by the Secretary of State for External Affairs, the Honourable Allan J. MacEachen, on the Occasion of the Signing of the Framework Agreement for Commercial and Economic Co-operation between Canada and the European Communities", Statement/Discours (July 6, 1976), 2.
- 5 Peyton V. Lyon, "The United States: a good friend and benevolent neighbour", International Perspectives, Special Issue (1976), 15.
- 6 Kari Levitt, Silent Surrender, The American Economic Empire in Canada (New York: Liveright, 1971), pp. 32-33.
- 7 Ibid., pp. 33-34.
- 8 Ibid., p. 40.
- 9 Ibid., p. 33.
- 10 Naomi Black, "Absorptive Systems are Impossible: The Canadian-American Relationship as a Disparate Dyad", in W. Andrew Axline, James E. Hyhdman, Peyton V. Lyon, and Maureen A. Molot, eds., Continental Community? Independence and Integration in North America (Toronto: McClelland and Stewart, 1974), p. 94.
- 11 Ibid., p. 102.
- 12 Ibid., p. 94.
- 13 Ibid., p. 104.

- 14 Two closely related articles by Professor Lyon set out this argument. See "Second thoughts on the Second Option", International Journal, Vol. XXX, No. 4 (1975), 646-70; and a study prepared for the Economic Council of Canada entitled Canada-United States Free Trade and Canadian Independence (Ottawa: Information Canada, 1975).
- 15 Lyon, "Second thoughts on the Second Option", ibid., 661-68.
- 16 Mitchell Sharp, "Canada-U.S. Relations: Options for the Future", International Perspectives (Autumn, 1972), 13.

Chapter I

Canadian Counterweight Foreign Policy: An Historical Overview

Counterweights have long held a prominent position in Canada's foreign policy thinking. This has been due largely to the nature of the country's historical development. As John W. Holmes has explained:

Canada grew up in traction. It is a product of a balancing act, and it is no wonder that the idea of counterweights pops up so frequently in calculations of our foreign policy. Although we cling to the legend of victimization by our great power associates... in fact we skilfully used our leverage with one against the other. We developed the concept of mutual deterrence before a name was found for it, prospering on the uncertainty each of the powers felt about what the other party would do if we were raped.¹

Growing up in traction between two comparative giants on the international scene - Britain and the United States - was the challenge Canada faced for much of its existence as an independent state. Following the decline of the former power as an adequate balance to the latter, new sources of countervailing influences have been sought. The current focus of this search, the Framework Agreement with the European Community, reveals a certain consistency with past Canadian counterweight experience. Three broad similarities may be mentioned. In most instances, counterweights have been employed to ward off some threat from the United States. Secondly, Canadian problems have tended to be regarded with both a general indifference and a special interest by the

counterweight appealed to. Finally, as a result of this equivocality, the government has had to indeed display a considerable talent for cultivating deterrents to ensure relative national autonomy.

These trends may be reviewed by examining five periods of Canadian counterweight foreign policy history. At the time of Confederation, counterweights were necessary to discourage open American hostility and claims to continental domination. Then, between 1871 and 1945, the country worked at developing its identity within the more favourable confines of an Anglo-American axis of tolerant coexistence. Immediately after World War II, international organizations were experimented with as possible counter-vailing influences to the United States while the Diefenbaker-Pearson era saw a futile attempt to revive traditional sources of balance. Since 1968, an avowed government objective of developing international contacts to offset the American presence has been institutionalized in policy form.

a) Counterweights and American "Manifest Destiny" (1861-71)

Canada, at the time of Confederation, faced threats from the United States on several fronts which made national survival a tenuous prospect. While British North America and its southern neighbour had experienced bouts of hostility on previous occasions, the years 1861 - 71 provided Canada with a novel opportunity to deal with these dangers

somewhat independently. The event which largely bears responsibility for renewing antagonisms was the American Civil War. Britain's anti-Union posture during this conflict placed British North America in the unenviable position of suffering the consequences of American displeasure.² After the war, this resentment manifested itself militarily through Fenian raids against Canada, economically by the termination of the Reciprocity Treaty, and ideologically with calls for the annexation of the British provinces in the name of an American "manifest destiny".

The Fenian Brotherhood was a semi-military, Irish-American organization developed during the late 1850s - early 1860s as the expatriot wing of a nationalistic movement in Ireland known as the Phoenix Society.³ Its purpose was to promote the cause of Irish independence by conducting a campaign of anti-English agitation in North America. Specifically, this campaign aimed at dislodging the Canadian provinces from British control. Such a design was met with only slightly veiled enthusiasm by the American government which saw this movement as an opportunity to strike back at its Civil War antagonists without involving itself directly. The extent to which Washington conspired with the Fenians may be measured by its failure to halt six years of sporadic Irish border raids into Canada and by its open financial support of the anti-British cause at Fenian fund raising conventions. As for the actual military operations themselves, various invasion attempts

proved to be utter failures as carefully laid plans fell victim to both faulty military execution and a Canadian populace which did not desire absorption into the American Republic. In fact, the Fenian's importance lies not with the raids themselves but rather in what those raids symbolized. The large numbers of poorly equipped volunteers and militia who rose to defend the borders of British North America from the Atlantic to Lake Huron were proof that the Irish had rekindled Canadian fear and distrust of the United States.

The international implications of the Civil War years also helped sour a healthy Canadian-American economic relationship. The Reciprocity Agreement of 1854, which had proved highly stimulating to Canadian trade, was terminated by the United States in 1866. Abrogation, while ultimately of only minor commercial discomfort to the provinces, was nevertheless regarded with concern and anxiety at the time.⁴ Compounding this perceived economic hardship was the 1865 decision by the American government to revoke its bonding laws which had until then permitted Canadian shipments to conveniently cross U.S. territory in bond.⁵ And as if to leave little doubt that the U.S. was creating conditions detrimental to provincial economic prosperity, a vigorous post-war American expansionism spearheaded by railroad development appeared destined to embrace British Columbia and the Hudson Bay Company's Red River Settlement as new northern states of the union.⁶

The military and economic posture adopted by the United States vis-à-vis Canada during the mid and late 1860s was well suited to a larger ideological design being pushed by prominent American politicians at the time. It was strongly believed in some quarters that the U.S. had a "manifest destiny" to unite the entire North American continent under the republican banner. This belief laid the basis for blunt annexationist pronouncements which, for the Canadian provinces, provided clear evidence of a southern threat to their independence. The most notable exponent of this philosophy was William H. Seward, the American Secretary of State, who tried to persuade British North America that continental unification was inevitable. His pledged avoidance of interference with the Fenians and his purchase of Alaska in 1867 appeared as integral parts of this design as did his attempts to encourage certain American banking interests to buy out the Hudson Bay Company's rights in the north-west. Further evidence of this expansionist mentality was in abundant display. The 1866 Taylor Bill, while never passed, made provision for the admission of each of the British provinces into the Union upon request. And Senator Charles Sumner, chairman of the Foreign Affairs Committee, demanded in April, 1869 that Great Britain's bill for Civil War damages be settled by a quid pro quo involving the North American colonies, a suggestion seriously considered by President Grant.⁷ Indeed, so inevitable was annexation believed to be that it remained

a mystery to many Americans how or why Canada succeeded in preventing it.⁸

The fact that Canada did manage to escape the political clutches of the U.S. is remarkable considering the attitude of Great Britain toward its dependency. As the natural countervailing force to which the provinces could appeal, London viewed British North America's problems with a general indifference that seemed to negate any benefit of ownership Canada could offer. Considerable financial and investment interests did give the U.K. a special stake in its colonial possession, but the widespread spirit of "Little Englandism" pervading Britain at the time dictated Whitehall's apathy. This way of thinking extolled the virtues of anti-imperialism and colonial independence. It was reasoned that by conceding autonomy to possessions inhabited by European stock, the Mother Country could create a free and friendly association that would be, by every standard, more beneficial to all concerned than the combination of authority and subordination. Accordingly, Canada had been granted colonial freedom in 1847 and, over the next twenty years, independently imposed its own external trade tariffs and developed effective parliamentary decision-making procedures.⁹ Autonomy, however, also meant that the colonies had to provide their own means of defence, a responsibility Britain had found increasingly burdensome and, without receiving the full benefits of ownership in return, unjustified. The decision to gradually withdraw

permanent garrisons and imperial troops at a time when Canada's vulnerability was becoming increasingly apparent dismayed the provinces. It was felt that the U.K., after provoking American wrath by its Civil War policies, was now abandoning those who would suffer the consequences.¹⁰

Britain's indifference was also a reflection of what Canada would be constantly reminded of over the years. In the eyes of the Great Powers, Canada was a minor actor on the international stage. The U.K. was preoccupied during the late 1860s with mending its American relations and saving face for its ill-conceived Civil War interference. The provinces' problems were at best of minor importance. In fact, there were strong suspicions that Canada would be offered as a sacrificial lamb to appease an embittered American government bent on bringing Britain to its knees in apology.¹¹

Against this background of American belligerence and British apathy Canada developed its first counterweight policy. The earliest manifestation of such a strategy was Confederation itself. George Etienne Cartier summed up the rationale of 1867 well when he said, "if we desire to obtain (England's) support for our defense, we must help ourselves When we are united, the enemy will know that if he attacks any province ... he will have to deal with the combined forces of the Empire."¹² It had become clear by the mid-1860s that only provincial unification would prevent absorption into the American Republic. Without railway

connections linking the Maritimes and the Canadas and without a plan for common action, the divided provinces were virtually impotent as a military buttress to the southern menace. The abrogation of reciprocity, combined with demands by British North American investors, traders, and industrialists for broader entrepreneurial opportunities dictated an expanded national economy along an east-west axis. The opening of the Hudson Bay territories for settlement was viewed, in this respect, as a welcome panacea. However, the future of the West also posed a problem whose critical nature was directly due to the fear of American expansionism. Confederation of the existing provinces would have to be extended to incorporate this valuable territorial resource and prevent it from going to the U.S. by default.

London's position in granting Dominion status to its colony was, in the words of the Colonial Secretary, "eminently calculated to render easier and more effectual the provisions for the defense of the several provinces."¹³ This attitude favoring the federal solution was reinforced by British financiers with Canadian holdings who stressed the beneficial economic returns from such a scheme.¹⁴ In fact, so positive was London's support of the plan that the BNA Act, which created the Dominion, passed through the British House of Commons like "a private bill uniting two or three English parishes."¹⁵ The Fathers of Confederation, however, ensured that this Act would provide greater

autonomy but not outright independence. It was realized that the freedom implicit in the new arrangement would have little meaning unless a strong association with the Mother Country was maintained. Additional monies were necessary for railroad investment, a reliable market was needed for trade now diverted away from the U.S., and the symbolic military deterrence offered by the power of the Crown loomed essential. The BNA Act, by affirming in its preamble the desire of the provinces to be united in one "Dominion" within the British Empire, underlined Canada's transition from that of a colony to a subordinate nation. Foreign affairs were to remain an Imperial concern but all other matters relating to the country would be handled by Ottawa.¹⁶ Canada's participation in the 1871 Treaty of Washington, negotiated to resolve British-American differences, indicated the Great Powers' willingness to recognize the new status of their North Atlantic neighbour.¹⁷ Canadian federalists, by applying a British counterweight in 1867, had succeeded in discouraging American aggression, in maintaining an Imperial lifeline, and in expanding national autonomy.

b) Counterweights and The Anglo-American Power Axis (1871-1945)

The Treaty of Washington ushered in an era of Anglo-American understanding that had as its cornerstone a mutual recognition of balanced strength. Canada's position within

this configuration was generally conducive to independent growth. The Government, by skilfully employing its assets to play off one neighbour against the other, succeeded in raising its status in the North Atlantic region from a mere subordinate member to that of a junior partner.¹⁸ For a time, the fledgling Dominion accepted the U.K.'s patronage to ensure its own survival beside an often hostile Republic. However, as confidence and strength were gradually gained, Ottawa saw the opportunity to reduce dependence on Britain by adopting a closer relationship with Washington. By the later 1930s, the country appeared to have found its place in the sun, enjoying the benefits of both independence and well-balanced external relations.

During the crucial years before World War I, Great Britain, on occasion, blatantly overlooked Canada's interests to ensure a stable relationship with Washington. But the benefits which accrued from having one's main source of counterweight in alliance with the country necessitating that counterweight clearly outweighed these annoying slights. Understanding the nature of the times is important in this respect. With new markets and raw materials needed to fuel industrial growth, imperial expansionism dominated the Great Power's foreign policy thinking soon after their 1871 agreement. The British embarked on this quest during the 1880s, having rejected the principles of Little Englandism for the spoils and prestige of African possessions. The Americans, preoccupied with domestic matters, did not focus

their energies on expansionism until the mid-1890s but when they did the enthusiastic acquisition of Latin American and Asian territory signalled that an extended version of Manifest Destiny was being pursued in a heady way. By cooperating, Britain and United States ensured themselves a free hand in this new imperialism. In return for relieving London of its naval responsibilities in the Western Atlantic and protecting the rear flank of the Empire, Washington gained both support in the Caribbean and Pacific and recognition of its equality as a world power. Canada, because of this arrangement and its position within the Empire, was immune to any American military design north of the forty-ninth parallel. The controversial 1903 settlement of the Alaska boundary dispute, which amounted to a British sellout of the Canadian position to a bullish Theodore Roosevelt, was regarded as intolerable by Ottawa at the time.¹⁹ But in an era of territorial conquest, this action was entirely preferable to a breakdown of Anglo-American relations.

Canada's metaphorical assertion in 1924 that it lived in "a fireproof house far from inflammable materials"²⁰ revealed a new orientation in the country's external dealings. Internal ethnic division on the question of overseas involvements, and the enhanced economic position of the U.S. after the War in part prompted Ottawa to adopt an isolationist posture in concert with the Americans. The Dominion, for several reasons, felt confident in its

ability to move closer toward Washington without suffering the danger of assimilation. Canada's enlarged international reputation, developed during wartime, dictated a shedding of the last confining vestiges of colonial status and thus reflected the emergence of a new found maturity. This, in turn, had forced the United States to accept as fact the country's permanent existence. And finally, while the Mother Country's position as the world's leading creditor and trader had been seriously weakened in the 1914-19 conflict, it still had enough strength in any case to provide Canada with an effective commercial counterweight to the U.S.²¹ Legal and constitutional independence from Great Britain was achieved with the 1931 Statute of Westminster, a document based on the precepts laid down by the Balfour Declaration of 1926. The Declaration had described the Dominions as "autonomous communities within the British Empire, equal in status, in no way subordinate one to another in any aspect of their domestic or foreign affairs, though united by a common allegiance to the Crown, and freely associated as members of the British Commonwealth of Nations."²² The conversion from Empire to Commonwealth and the exchange of diplomatic representatives between London and Ottawa symbolically affirmed Canada's complete political independence.

Two specific examples may be detailed as illustrations of the Dominion's success in developing counterweights during the period 1871-1945. The American threat in each

case was an economic one and while perhaps the behavior of Washington was less belligerent than at the time of Confederation, the implications for national survival were no less important. Before the turn of the century, Canada was swept up in a series of world wide business depressions. The period 1873-96, described by the noted historian J.B. Brebner as "the grimmest quarter century in the history of Canada"²³, featured a massive emigration to the relatively more prosperous United States at a time when manpower was desperately needed to develop the Dominion. This difficult situation was heightened as extensive north-south commercial relations fell victim to an American market made inaccessible by Washington's decision to apply high protectionist tariffs. Ottawa continually sought to reduce these trade barriers by appealing to the United States for a renewal of the beneficial 1854 Reciprocity Agreement. The American government, however, rejected all such advances for not conforming to conditions it had laid down, conditions which, if accepted, would have rendered Canada open to economic annexation. As such, Ottawa was forced to enact a tariff structure of its own. In 1891, a Canadian delegation sent in desperation to the United States' capital to plead the country's case was refused an audience with Secretary of State James G. Blaine. In the following year another commission was sent, but as Secretary Blaine insisted upon the establishment of a jointly administered discriminatory tariff against Great Britain as a prerequisite for his

Government's help, the discussions were unproductive. The threatening potential of Washington's policies was underlined by the introduction of the 1890 McKinley Tariff, which raised the duty on taxable articles to nearly fifty per cent, and the Dingley Tariff of 1897, which further increased this rate.²⁴

Protectionist measures implemented by the U.S. shortly after the Great Depression of 1929 also proved damaging to Canada's economic position. The Hawley-Smoot Tariff (1930) was the American government response to the Wall Street crash and the subsequent cry from domestic agencies of production for help against foreign competition. It had the total effect of raising the general ad valorem rate on dutiable products to forty per cent. More disturbing to Canada, however, were the tariff's provisions for narrowing the list of tax free commodities to exclude the important Canadian field crops, dairy products, lumber, livestock, and copper. The legislation was deeply resented in the Dominion where it was felt Washington was deliberately aggravating an already bad situation. Ottawa, with all its world markets in collapse, was faced with the desperate task of amassing the \$4 million a week needed to meet interest and dividend payments abroad. The only solution visualized at the time was to pare purchases from the United States to the bone, a task necessarily involving a damaging tariff war and help from the United Kingdom.²⁵

Canada's decision to appeal to Britain for assistance

on these two occasions was met in London with enthusiasm in the first instance and reluctance in the second. During the 1890s, the U.K.'s Colonial Secretary, Joseph Chamberlain, was seeking a practical expression for his imperialist philosophy and the Dominion's desire for closer relations fit well into his design. Developing continental alliances, pursuing militant empire-building, promoting commercial union with the colonies, and even tampering with that sacred British citadel, free trade, were all features of this plan. Chamberlain's vision "a true Zollverein for the Empire,"²⁶ or imperial customs union, while having the capability of providing an effective counterweight, could itself erode Canadian autonomy. Caution was called for in Ottawa's dealings with London during this period.

Britain's attitude toward Canada's economic plight in the early 1930s was much less encouraging. As an ardent supporter of free trade principles, the U.K. stood totally opposed to Prime Minister Richard B. Bennett's suggestion that a Commonwealth preference be created to shelter colonial exports. Bennett's proposal called for Whitehall to adopt a protectionist posture so that all the members of the Commonwealth could thereupon set tariff rates ten per cent higher against non-British nations than against each other, thus creating an Imperial tariff wall around the maze of walls protecting the separate parts of the Commonwealth. For the orthodox British free traders, this was much too radical. While the U.K. itself was forced to set

up a low emergency tariff in 1931 to avert massive world dumping, it nevertheless fought to loosen up global trade by bringing Commonwealth and foreign tariffs down to the vicinity of the British level. This position remained firm until the Imperial Economic Conference of 1932.

The concept of "Imperial Preference", devised by the Laurier government in 1897, proved to be an ideal vehicle for alleviating the effects of American protectionism while at the same time avoiding the negative implications of Chamberlain's imperial customs union.²⁷ This scheme gave a tariff preference to goods imported from the United Kingdom and from other countries willing to grant reciprocal tariff treatment. By stressing Ottawa's ability to divert its trade toward Britain, it was hoped that pressure would be exerted on the Americans to remove their economic barriers. Canada was fortunate in that the plan coincided with both a general business recovery and a new U.S. interest in the Dominion's natural resources, conditions which strengthened the country's bargaining position. While the Imperial Preference ultimately failed to lower Washington's protective tariff wall, it did succeed in stimulating American investment in Canada. This was to create a major political problem for Ottawa in the 1960s but at the turn of the century such an inflow of foreign capital was vital, in the words of Kenneth McNaught, "to convert a 'normal' return to prosperity into a boom - to render certain the birth of a major industrial system."²⁸ By their unilateral

action in making a free and unsolicited grant to Great Britain, the Canadian Liberals also appeared to have taken a deliberate step towards the founding of a new imperial economic order. As a result, Laurier was received at Joseph Chamberlain's 1897 Colonial Conference as a hero. The Prime Minister shrewdly used his position on this occasion to persuade Chamberlain to dissolve two of the more confining of Britain's imperial commercial treaties (with Belgium and Germany) in the interests of Empire trade. And then, in 1902, Ottawa moved to escape from further entanglement in a system of imperial commerce it itself had inaugurated by altering its terms on Imperial Preference. Now it would only be granted if colonial preference were received in return. Such a demand, if accepted, endangered the traditional anti-protectionist fiscal policy of the U.K. and, as the 1906 general election bore out, the British public would have none of this. Free trade was favoured over Chamberlain's designs and an imperial customs union became a dead issue. Canada had succeeded in liberating itself from two restrictive commercial treaties and in maintaining its autonomy within the Empire.

Britain's efforts to encourage a return to freer world trading practices were defeated at the 1932 Ottawa Conference. As a result, Canada gained an effective counterweight to American protectionism that led, three years later, to a softening of Washington's policies. Aided by a timely U.S. congressional decision to invoke additional

prohibitive duties against key natural commodities, the 1932 conference succeeded not in lowering the already high Dominion tariffs but in creating a system of imperial preferences which raised the rates against foreign countries still further. Bennett's proposals had been accepted. Britain, two-thirds of whose exports were with non-British customers, put itself into an extremely difficult position as a result. By conceding to the various Dominions practical monopolies to its market for natural products, without itself getting under the barriers protecting Dominion industries, the U.K. gave everything and received little in return. It was decided that for five years such a situation could be maintained to preserve some economic semblance of imperial unity.²⁹

That the U.S. was the principal non-British victim of this new arrangement was soon revealed. By cutting itself off substantially from its two most important trading associates, Great Britain and Canada, Washington had to concede that its high tariff policy was a failure. Only by breaking into the Ottawa system and adjusting the distortions in a once beneficial triangular movement of goods and money in the North Atlantic region could prosperity be increased. This new way of thinking resulted in a 1935 trade treaty between the U.S. and Canada. The Americans agreed to scale down their tariff walls somewhat in return for Canada's pledge to abandon the devices adopted from 1930 onward to reduce purchases from the U.S. The treaty effectively made

easier American sales to Canada of farm implements, automobiles and machinery; and Canadian sales to the United States of lumber, fish, potatoes, dairy products, and cattle.³⁰ By 1938 Washington had concluded a similar agreement with the U.K. and with it a more rational and beneficial trade pattern in the North Atlantic was restored. Canada had again successfully employed Britain as an aid in improving its position vis-à-vis the United States.

Canadian counterweight foreign policy reached its pinnacle of success at the end of the period under discussion. In economic terms, the country had achieved a favourable equilibrium in its balance of payments with a trilateral balancing of accounts. Broadly speaking, a current account deficit with the United States was met out of receipts from Britain and other Commonwealth countries.³¹ Politically Canada's status during the War as "the linchpin of the English speaking world" seemed to aptly sum up a most desirable position of independence between two friendly powers.³² Unfortunately, such a balanced configuration was not to be maintained.

c) International Organizations as Sources of Counterweight (1945-57)

Any illusion of Britain's ability to provide Canada with an adequate counterbalance to the United States was thoroughly dispelled during World War II. That country's gradual decline, in evidence from 1914 onwards, reached its

nadir in 1945 amidst general wartime exhaustion and economic collapse. By contrast, the U.S. emerged from the conflict unharmed and capable of producing more wealth than ever before. The effect, as George V. Ferguson has pointed out, was that "for the first time in Canada's history, we are faced with the full naked force of American influence without the modifying influence of any counterpressure."³³

Ottawa was forced to recognize that the very basis on which its foreign policy had been conducted since 1871 was now obsolete. A new strategy was called for. The Dominion's abandonment of isolationism in favor of a more active role on the world scene, especially within various international organizations (IOs), may be interpreted in this light.

However, it soon became clear that IOs could provide, at best, only a psychological counterpoise to the U.S. and by 1957 even this advantage was wearing thin.

The growth of American influence in Canadian life after the War was most apparent in the economic sector. Unable to maintain a favourable balance of payments position with the U.S. because of British (and most other) currency inconvertibility, Ottawa was obliged, in the interest of full employment and sustained growth, to redirect its export trade toward the south.³⁴ This action did generate a new economic boom in the country, but it also succeeded in establishing a high degree of dependence on the Americans. Rapid domestic expansion created an immense need for manufactured goods and new social capital, both for

consumption and investment purposes. Investors from the U.S., attracted by the favourable economic opportunities in Canada, were more than willing to fill these requirements. By 1956, the inflow of American capital had reached almost one billion dollars with about one-quarter of all Canadian industrial investment being controlled by United States' residents. This growing influence was accompanied by a corresponding rise in imports from the U.S. which amounted to almost three quarters of Canada's total. The current account deficit in the balance of payments was thus increasing.³⁵ With 12% of the Dominion's national income dependent on exports to America (compared to only a 1% U.S. reliance on its exports to Canada),³⁶ doubts concerning the country's ability to retain mastery of its own economic destiny were being voiced. Conservative Finance Minister, Donald M. Fleming, in a June 1958 budget speech, warned of Canada's vulnerability to changes in American trade policies and referred specifically to the damage inflicted on the crucial Canadian grain industry by Washington's massive wheat disposals.³⁷ He also complained that "in many cases, especially on fully manufactured goods, (U.S.) tariff rates are almost prohibitive." There was the very real fear that, with the exclusion of substantial two-way trade in processed commodities, Canada would be cast permanently into the role of a mere supplier of raw materials to its southern neighbour. Such a situation was hardly conducive to Ottawa's desired objective of achieving a dynamic and industrially

diversified economy.

The 1957 Royal Commission on Canada's Economic Prospects identified other areas of American generated concern. These included the exclusion of Canadian investors from direct or mixed participation in the ownership and profits of enterprises located within their own country and the lack of any sort of financial accountability by U.S. firms to Ottawa.³⁸ In addition, the tendency of American parent corporations to run their Canadian subsidiaries with little or no attention to native customs or needs was a source of friction. And the political implications of non-resident ownership stimulated considerable apprehension.³⁹

The United States also seemed to be threatening Canada's independence in other ways. As the Cold War intensified, Ottawa found itself too directly committed in the struggle against communism to remain anywhere but within the American dominated western camp. Moreover, it was clearly evident that the country's strategic geographic position between the two superpowers would promote nothing less than an intimate relationship with the U.S. Construction of the DEW-line defenses - largely an American operation - gave rise to the question of Canadian sovereignty in the Arctic. Numerous irritations arose over the United States presence in the area and the feeling that "the Canadian North is now a kind of colonial appendage"⁴⁰ was held by many.

U.S. cultural penetration also became an issue of

serious concern to Canada in the decade after the War. The 1951 Massey Commission Report on the development of national arts, letters, and sciences had this to say on the subject:

It cannot be denied...that a vast and disproportionate amount of material coming from a single alien source may stifle rather than stimulate our own creative effort and...may weaken critical facilities. We are now spending millions to maintain a national independence which would be nothing but an empty shell without a vigorous and distinctive cultural life. We...have its elements in our traditions and in our history....We must not be blind, however, to the very present danger of permanent dependence.⁴¹

The internalization of the "American way" through the written and visual media, the educational brain drain to the best U.S. schools, and the reliance on American financial assistance for support of Canadian culture all bore witness to this "very present danger" in Dominion life.

Canada's strong post-war commitment to the development of various international organizations failed to appreciably mitigate the uninhibited growth of American influence. Ottawa's active involvement in the establishment of both the Bretton Woods monetary institutions and the General Agreement on Tariffs and Trade (GATT) was clearly motivated by a desire to revive the favourable pre-war conditions of commercial exchange. The Monetary Fund, once established, "would assure the convertibility of the proceeds of our sales abroad into whatever currencies we require for our current needs."⁴² In the case of the GATT, the Minister of Finance stated that "The ultimate objective of these

negotiations is to make possible the restoration of multi-lateral trade on a large scale which is the best possible basis for Canadian prosperity and stability."⁴³ Thus it was felt that through these organizations trade diversification would be encouraged and excessive dependence on a single trading partner prevented. Canada itself adopted an expansionist economic policy by extending substantial credits to Britain and Western Europe in the hopes of re-establishing the latter's trading potential. In the short term, however, all efforts to encourage multilateralism and currency convertibility proved fruitless. Sterling was still a poor exchange medium at the end of 1947. Trade restrictions throughout the overseas world intensified. The Dominion itself encountered exchange problems with its U.S. imports and, to make matters worse, the sterling crises of 1949 and 1951 further reduced the U.K.'s economic influence in Canada's international dealings.⁴⁴

Involvement in the United Nations provided no more than a symbolic counterweight to the United States. Recognition of Canada's distinctive "middle-power" abilities and its penchant for international objectivity was obtained but such a reputation did little to lessen actual American influence in the country. At best, it gave Canadians a false sense of security in the knowledge that Canada acted differently than its neighbour, that it acted more "virtuously", and that it was sympathetically regarded in the world community. The Dominion's conspicuous efforts at

the 1945 San Francisco Conference to limit the pretensions of the Great Powers and to prescribe a degree of international democracy through the notion of "functionalism" (the delegation of authority according to capability) was hardly a deterrent to North American integration. Similarly, the prestige of being selected to the three nation International Supervisory Commission or of participating in various peacekeeping functions - positions which underscored Canada's distinctiveness and from which the U.S. as a superpower was necessarily excluded - did not translate into a lessening of dependence at home. In fact, even the country's most significant contribution during this period - its role in the 1956 Suez crisis - has been interpreted as an indication of Ottawa's lack of faith in the U.N. as a source of counterweight. L. B. Pearson's frantic efforts to devise a formula to reconcile British-American differences on the issue (with considerably less concern being paid to the fate of France) suggested that the Government still held faint hopes for the re-establishment of a strong London-Washington power axis in the North Atlantic.⁴⁵ However, while the U.N. successfully diffused the crisis, the severe blow dealt to Great Britain's reputation only further weakened its international standing.

Canada's enthusiastic involvement in the creation and development of N.A.T.O. also may be attributed, in part, to a search for new external balances. Certainly, the Government was moved in its actions by fear of the Soviet threat

to Western Europe but, as Prime Minister St. Laurent alluded to in a June 1948 speech, the security organization had additional potential:

The best guarantee for peace today...is the creation and preservation by the nations of the free world, under the leadership of Great Britain, the United States, and France, of an overwhelming preponderance of force over any adversary....This force must not only be military; it must be economic; it must be moral.⁴⁶

N.A.T.O. was to give Canada another multilateral forum in which, by combining with other great and lesser powers, it could make its weight felt and so be relieved, at least psychically, of the inhibitions of life on a continent with one gigantic neighbour. The organization became the scene of a persistent but not very successful campaign by the Dominion and others to persuade the larger powers to consult their allies on important matters.⁴⁷ Canada often joined the Scandinavians in N.A.T.O. to oppose the rigidities of the United States in its attitude towards the communist states. Ottawa also sought to enlarge the objectives of the alliance so that it would, in fact, form the basis of a trans-Atlantic community.⁴⁸ However, as these efforts were opposed by the Americans, the only step taken in this direction was the inclusion of Article Two in the Treaty, often called the Canadian Article, advocating cooperation in the non-military, as well as military field. This article has yet to be applied. Many Canadians, by 1957, were prepared to accept the N.O.R.A.D. concept for

continental defense in the rather illusory belief that such an arrangement was merely a regional but integral part of N.A.T.O.⁴⁹ Again the old world was being sought to redress an overwhelming imbalance in the new.

Canada's highly regarded Commonwealth connections were a further source of symbolic counterweight after the War, providing as they did a multiracial character to Ottawa's external dealings. But, as James Eayrs has observed, this body was becoming increasingly discordant and unable to speak with one voice thereby greatly reducing its effectiveness.⁵⁰ The overall support for and involvement in trans-oceanic associations contrasted sharply to the coolness with which regional groupings such as the Washington dominated Organization of American States were held.⁵¹ Embracing (or avoiding) IOs had achieved considerable recognition for the country's distinctiveness on the North American continent but as time wore on it became quite evident that a more concrete, less ceremonial source of balance to the United States was necessary.

What value international organizations held as counterweights was largely due to Canada's influence as a commercial power immediately after the War. For a decade or so a claim to middle and small nation leadership could be made. However, as the European countries and Japan recovered economically, and new nations appeared in Africa and Asia, this relative importance decreased. By 1957, IOs were no longer even a significant prestige factor to Canada.

d) Counterweight Lost: The Diefenbaker-Pearson Years

The American "invasion" of Canada continued in the decade after 1957, unabated least of all by any form of international counterweight. It was not that Conservative and Liberal governments of the period were unaware of growing U.S. domination. Indeed, the election of 1957 was in part determined by public discontent on this very issue. Yet the instrument, often employed, with proven success, to combat a U.S. threat to Canada's independence was used either ineffectually or not at all during what has been termed the country's "troubled passage",⁵² the Diefenbaker-Pearson years.

H.G.J. Aitken's 1961 assertion that North America was moving toward "continental economic integration on a massive scale"⁵³ seemed to foreshadow the necessity for the "Third Option" policy more than a decade later. A 1967 government task force on foreign ownership in Canada (the Watkins Report) revealed that this process was already well under way by the early sixties. It was confirmed that approximately 60 percent of the nation's manufacturing industry, 59 percent of the mining and smelting sector, and 74 percent of the petroleum and natural gas industry were foreign controlled, mostly by U.S. residents. Detailed breakdowns of the important manufacturing category indicated even higher figures.⁵⁴ The report warned that "The closeness of the economic ties fostered by foreign investment...

create opportunities for Canada, but may also engender feelings of dependence...and risk creating a concessionary attitude by policy makers in the host country going beyond economic matters alone."⁵⁵ The most serious cost to Canada, it was pointed out, resulted from the tendency of the United States government to regard American-owned subsidiaries as subject to American law and policy. This had the effect of eroding national sovereignty and diminishing independence, thereby creating "political costs for Canada...that seriously undermine the economic benefits."⁵⁶

The general findings of the Watkin's Report were not really new. Much the same had already been revealed by Walter L. Gordon in his influential 1961 book entitled Troubled Canada, a work significant for its suggestion that Canada, as part of an effort to reduce dependence on the U.S. by promoting trade diversification, should "endeavour now to become associated even in some general way with this new (European Common Market) trading area."⁵⁷ As Minister of Finance, Gordon tried unsuccessfully to introduce measures to discourage foreign ownership and takeovers.⁵⁸ Such governmental action indeed seemed necessary. Takeovers, in particular, had become widespread with the Financial Post reporting 143 Canadian-owned firms being bought out between 1960 and 1964, chiefly by American investors.⁵⁹ The "branch plant" phenomena, moreover, was preventing Canada from developing a strong competitive capacity, discouraging basic research, promoting regional disparities, inhibiting the

development and training of native business managers, and adding substantially to the Canadian balance of payments deficit with Washington.⁶⁰

Perhaps most disturbing of all was the fact that Canadians themselves were financing, through investments in United States securities, the whole process of American economic penetration. According to one source, 85 percent of the funds used to expand U.S. controlled industry in Canada between 1957 and 1965 were provided by domestic savings.⁶¹ Donald C. MacDonald's comment that Canadians were "the servants of a new mercantilism"⁶² seemed quite apropos to this period.

The continued growth of economic interdependence indicated that Ottawa's employment of a counterweight strategy, even when considered as a solution to the problem, had not been all that effective. An attempt by the Conservative administration (1957-63) to reactivate Canada's outdated British connection and to make greater use of the Commonwealth as a source of balance well illustrates this failure. Mr. Diefenbaker announced shortly after assuming power that his Government intended to divert 15 per cent of the country's purchases, valued at over \$500 million a year, from the United States to the U.K. Whitehall, although at the time debating the merits of the proposed EEC as a market for its lagging exports, nevertheless was quite receptive to Ottawa's offer and suggested a free trade area between the two countries as a means of achieving

V

this diversion. What appeared to be a promising situation quickly deteriorated, however, as it became evident that Ottawa had neither the means nor the desire to carry out its pledge. Diefenbaker had apparently acted impulsively without any definite plan for implementing his idea, and the notion of a free trade area, while generally popular with the Canadian public, was strongly opposed by commercial and industrial interests and by the American government.⁶³ As a result, the matter was dropped.

In spite of this inept affair, strengthening and extending commercial ties with the United Kingdom remained a Conservative priority. The Canadian High Commissioner in London, Mr. George Drew, strove to persuade British businessmen to expand their sales to Canada at the expense of the United States in order to give the U.K. a more favourable trade balance with Ottawa and reduce Canada's adverse balance with its southern neighbour.⁶⁴ As the figures for the first two months of 1963 illustrated, this effort proved disappointing. While Canada's exports to Britain had risen from \$128 million during this period in 1962 to \$136 million in 1963, its purchases from Britain had fallen by 25 per cent to \$67 million. As Peyton V. Lyon observed, "Mr. Diefenbaker...had finally achieved his diversion of trade, but in the wrong direction to the one intended."⁶⁵

The Prime Minister's November, 1958 world tour of Commonwealth nations symbolized Canada's enthusiastic

support of this organization under the Conservatives. Concern for the body over the implications of British entry into the Common Market, however, underlined that this support was primarily of a negative variety. It was not so much what could be gained through the Commonwealth as what would be lost if trading preferences were terminated by London's new association. An editorial in the Canada supplement of The Times came to the heart of this matter:

Canada has been one of the greatest beneficiaries of the Commonwealth system as it has evolved; indeed Canada...has seen to it that the Commonwealth has largely evolved on lines that suit her own conditions. Adherence to this system, making few political and almost no constitutional demands, while providing a modestly preferential market for Canadian staples, has enabled Canada to operate a counterweight to the economic and cultural pull of America....It is no accident that in the past year or two, when the Commonwealth was being transformed in unpredictable directions - when its very survival is now not beyond question - Canada's relations with her giant neighbour have been remarkably bad tempered. They have also been unusually ineffective. Part of the reason lies in the underlying uncertainty about her power to resist a degree of dependence on the United States that would compromise her nationhood because the countervailing guyropes to Britain and the Commonwealth look much less securely pegged down.⁶⁶

Ottawa's vigorous and often public opposition to Britain's posture vis-à-vis the EEC during the early sixties indicated a concern over this situation. But the Government's actions, rather than encouraging a viable counterpoise to the U.S., were in many ways misdirected. Unofficial sources noted that the Commonwealth preferences had already been whittled

down to the point where they averaged no more than 3 per cent in favour of Canadian goods - as opposed to non-Commonwealth products - entering Britain. Such a small loss, it was calculated, might easily be compensated for through other trade relationships, including those with the EEC itself. The latter, in fact, was proving to be a much more dynamic market than its British counterpart, with Canadian sales to Western Europe doubling between 1955-61 as compared to only a 20 per cent rise in the U.K.'s purchases during the same period.⁶⁷ British membership in such a body, rather than being detrimental, was likely to further enhance the Community's economic strength, could give Canada a useful inside connection to facilitate any trade arrangements it might make, and would provide a more suitable regional force with which U.S. influence might be balanced. Ottawa's success in helping preserve its Commonwealth advantages, at the expense of antagonizing London and preventing a potentially more viable trade configuration, seemed no more than a pyrrhic victory.

The Pearson years (1963-68) completed the process of counterweight deterioration that had begun in 1945. At no point in its history was Canada more vulnerable to the pervasive influence of the United States and yet so lacking in the means of preventing it. The Prime Minister's international expertise should have been a notable asset in resuscitating what once had been a sure method of strengthening the country's independent position. However, a

constant struggle to survive a series of domestic crises demanded most of his energy and left little time for anything else. This situation was reinforced by public opinion not yet widely anti-American, a factor which lessened pressure for any sort of remedial action.⁶⁸ Whether or not an effective counterweight could have been developed during this period was a matter of debate in any case. Great Britain was cultivating its own special relationship with the Americans and Ottawa's intermediary role between the two, if indeed it existed at all, was now rendered obsolete. Participation in the U.N., an organization whose power axis was shifting toward the less developed "Third World" and whose peacekeeping operations represented little more than thankless "thumb in the dike" measures, could offer little support. And the EEC, for all its potential, was experiencing serious internal problems, highlighted by the 1967 agricultural crisis, which cast doubt on that body's continued viability.

In spite of Mr. Pearson's April, 1965 Philadelphia speech concerning American bombing in North Vietnam,⁶⁹ relations between Ottawa and Washington were generally cordial and less abrasive than under the previous Conservative administration, a situation which led to suggestions in other parts of the world that Canada was little more than a United States colony.⁷⁰ Such comments grated on nationalistic nerves. By the end of Mr. Pearson's tenure in office, it was becoming apparent that something

had to be done about the suffocating state of continental interdependence. Pierre Elliot Trudeau's May 29, 1968 policy statement seemed to indicate that change was in the air. Canadians were seeking, the new Prime Minister stated, "a new role and a new foreign policy based on a fresh appraisal of this rapidly changing world and on a realistic assessment of Canada's potential." And he added: "It must be a policy which is pragmatic, realistic, and which contributes effectively both to Canada's political survival and independence and to a more secure, progressive, free and just world society."⁷¹

e) Counterweights As Official Government Policy:
The Early Trudeau Era (1968-1972)

Canada's current interest in the European Community is the most visible expression of a counterweight renaissance which traces its roots to a rather sudden revival of national consciousness and anti-American feeling during the late sixties and early seventies. That this period represented a stark contrast to the widespread complacency toward U.S. domination of previous years was undeniable. Augmented American military involvement in Southern Asia undoubtedly provided the catalyst for this change as increased hostility to Washington's policies, especially among the young, did much to focus attention on all aspects of continental interdependence.

Several significant declarations gave the new trend

further impetus and seemed to lend support to the time-worn adage that Canadian nationalism was little more than anti-American sentiment in disguise. Melville Watkin's "Waffle Manifesto" (1969) and Kari Levitt's Silent Surrender (1970) widely publicized the need to regain control of the national economy by reducing U.S. dominance in that sector. Robin Matthews and James Steele, in their provocative 1969 study, The Struggle for Canadian Universities, encouraged a stronger Canadian orientation to higher learning by suggesting lower quotas on American professors hired to scholarly institutions. The creation of the Committee for an Independent Canada in 1970 concerned itself with promoting the national cause at the expense of outside influences.

Opinion polls indicated a general public sympathy for this new consciousness. The January 2, 1971 edition of the Ottawa Citizen reported one such survey which revealed that 59 per cent of Canadians polled felt that a growing concern for nationalism was a good thing.⁷² Another sample showed that 90 per cent of the population believed the country should have greater control over its economy. Two-thirds thought American investment was too high and half were willing to accept a lower standard of living in order to reduce U.S. economic domination.⁷³ The Government itself finally seemed willing to come to grips with the problem of continental assimilation as various authorities and studies, including the Grey Report on foreign ownership, the Canadian Development Corporation, and the Canadian Radio-

Television Commission, were set up to examine aspects of the dilemma.

The Trudeau administration's most notable show of concern for the negative implications of Canadian-American interdependence, however, was seen in its efforts to revive effective countervailing forces in its external relations. Ottawa initiated this process with a major foreign policy review, published in 1970 under the title, Foreign Policy for Canadians.⁷⁴ This review implicitly established the concept of the "Third Option" from which the contractual link idea is a natural, more fully defined extension. Two important points - national self-interest and international diversification - were stressed in the six booklets that together comprised the 1970 study. The message that was consistent with both these policy objectives was the desire to develop a foreign posture less dependent on Canada's southern neighbour. The first paper, dealing with the country's external affairs generally, emphasized the primacy of the national good over the role of a "helpful fixer" in international dealings. "In essence", it was stated, "foreign policy is the product of the Government's progressive definition and pursuit of national aims and interests in the international environment. It is the extension abroad of national policies."⁷⁵ The notion of collective security, so dear to the heart of Pearsonian diplomacy, was thus superseded in importance by a more inward looking stance.

The other five booklets were sector papers dealing with specific foreign policy areas. Europe, Latin America, and Pacific received individual attention with suggestions being made as to how Canada hoped to increase its political, cultural, and above all economic relations with these regions. The United Nations paper described where Canada expected to concentrate its U.N. efforts (primarily in social, technological and legal matters, although continued support for peacekeeping was affirmed), and the International Development booklet set out the ways Ottawa intended to increase both the quantity and quality of its aid. Foreign Policy For Canadians was most significant for its complete neglect of the United States in the sector papers. This failure to include the country's nearest neighbour and prime trading partner underscored the Government's desire to diversify its international relations and lessen its dependency on a single source.

In October, 1972, this basic foreign policy aim was given a name by Ottawa. Then External Affairs Minister, Mitchell Sharp, in a special International Perspectives article entitled "Canada - U.S. Relations: Options for the Future", unveiled the concept of the "Third Option".⁷⁶ Canada, it was suggested, had three distinct choices of action it could follow with the United States: First, to maintain the existing relationship more or less unchanged; secondly, to move deliberately towards closer integration with America; thirdly, to adopt a long-term strategy to

lessen Canadian vulnerability to the impact of the United States by diversifying relations and strengthening the Canadian economy. The three option approach was, as Geoffrey Stevens has rather cynically commented, "the sort of intellectual fraud one expects at election time."⁷⁷ No government calling itself "liberal" could dare admit it was satisfied with the status quo (first option) and hope to be re-elected to power. The second option (closer integration) was, for reasons of public opinion and the presence of six million French Canadians struggling to maintain their identity, out of the question. Thus the only choice left and the one which the Trudeau government formally adopted was the Third Option. The essence of the choice was summed up by Mr. Sharp:

There is clearly no possibility of our being able to surmount overnight Canada's heavy dependence on the United States for trade, investment and technology. But there is no reason why we should not aim, in the context of an expanding economy and expanding trade prospects, to achieve relative shifts that, over time, could make a difference in reducing Canada's dependence on a single market and, by extension, the vulnerability of Canada's economy as such.⁷⁸

Until 1971, the stance taken by the Prime Minister in regard to the Third Option closely matched a comment made in Book One of the 1970 review. Here it was stated:

The predominance of transatlantic ties - with Britain, France and Western Europe generally (and new links with the Common Market) - will be adjusted to reflect a more evenly distributed policy emphasis, which envisages expanding activities in the Pacific basin and Latin America.⁷⁹

Accordingly, Mr. Trudeau actively pursued an external policy aimed at the world at large, and tended to relegate Europe to a secondary position of importance. Diplomatic relations were established with China, his ministers travelled to Latin America, he visited New Zealand, Australia, Japan, Malaysia, India, Pakistan, and the Soviet Union.⁸⁰

It soon became apparent, however, that the U.S. colossus would not or could not be offset without the aid of the EC. This realization served to focus attention on the second foreign policy booklet of the 1970 series, the one entitled Europe. Europe was recognized here as

the only area outside North America where the major themes of Canadian policy converge ... (p. 30). The maintenance of an adequate measure of economic and political independence in the face of American power and influence is a problem Canada shares with the European nations... (p. 14). The more the European countries combine their efforts; the more opportunities there will be for Canada to find rewarding forms of co-operation with them. It is not realistic to imagine that the present trends could be changed 90° in direction....but there would be merit in seeking to develop at least some measure of countervailing influence... (p. 27).⁸¹

The decision to view Europe as a more realistic source for successfully implementing the Third Option represented a refinement of the Foreign Policy For Canadians study. This refinement necessarily requires closer examination and will be the subject of the next chapter.

NOTES - CHAPTER I

- 1 John W. Holmes, Canada: A Middle-Aged Power (Toronto: McClelland and Stewart, 1976), p. 125.
- 2 Great Britain, for reasons of prestige and of dependence on southern products, sympathized with Confederate interests at the outbreak of the War. This feeling matured into wholehearted support following the so-called "Trent" affair of 1861 and ultimately resulted in London's outright abandonment of naval neutrality in the conflict. The actions of British supported southern sea-raiders, such as the "Alabama", were bitterly resented by northern Unionists who held the U.K. responsible for damages incurred. For a thorough treatment of Britain's involvement in the Civil War, see E.D. Adams, Great Britain and the American Civil War (2 vols.; Gloucester, Mass.: Peter Smith, 1957) or the more descriptive rendering offered by Brougham Villiers and W.H. Cheeson in Anglo-American Relations 1861-1865 (Port Washington, N.Y.: Kennikat Press, 1919).
- 3 For a general account of the Fenian activities and their effect on the Canadian provinces, see C.P. Stacey, "Fenianism and the Rise of National Feeling in Canada at the Time of Confederation", Canadian Historical Review, Vol. XII, No. 3 (1931), 238-261; or Lester Burrell Shippee, Canadian-American Relations 1849-1874 (New Haven: Yale University Press, 1939), chapter X.
- 4 While Hugh L. Keenleyside, in his Canada and the United States: Some Aspects of Their Historical Relations (New York: Alfred A. Knopf, 1952), pp. 256-57, suggests that the agreement's termination "dealt a heavy blow to American-Canadian trade, which fell from \$60,000,000 in 1865 to \$50,200,000 in 1867 and \$48,900,000 in 1868...", more authoritative sources maintain that, for various reasons, the American action was only marginally disruptive to Canada's economy. See D.C. Masters, The Reciprocity Treaty of 1854 (Toronto: McClelland and Stewart, 1963), pp. 126-29; or The United States Tariff Commission, Reciprocity and Commercial Treaties (Washington: Government Printing Office, 1919), pp. 88-89.
- 5 These laws encouraged the building of the St. Lawrence and Atlantic Railway from Montreal to Portland, Maine. The route had provided Canadian cargo with a winter shipping outlet otherwise denied by an ice-bound

St. Lawrence River. See Kenneth McNaught: The Pelican History of Canada (Harmondsworth, Middlesex: Penguin Books, 1969), pp. 113-14.

- 6 To a fledgling Canadian economy, the settlement boom of the West was viewed as essential for providing the central provinces with an expanded national market. A foreign takeover of this area might well have threatened financial survival and encouraged absorption into the United States. See Edgar W. McInnis, The Unguarded Frontier: A History of American-Canadian Relations (New York: Russell and Russell, 1942), pp. 212-14.
- 7 The actions and pronouncements of American politicians supporting the concept of manifest destiny are well described in Joe Patterson Smith, American Republican Leadership and the Movement for the Annexation of Canada in the Eighteen-Sixties, The Canadian Historical Association: Report of the Annual Meeting (Toronto: University of Toronto Press, 1935), pp. 67-75; and in Shippee, op. cit., chapter IX. A broader account of annexationist sentiment is provided in D.F. Warner, The Idea of Continental Union (Lexington: University of Kentucky Press, 1960).
- 8 John Bartlet Brebner, in his North Atlantic Triangle, The Interplay of Canada, the United States and Great Britain (Toronto: McClelland and Stewart, 1966), p. 176, refers particularly to the incomprehension of Hamilton Fish, Grant's Secretary of State, to this fact.
- 9 Little Englandism, as applied to British North America, is summarily discussed in Brebner, ibid., pp. 177-79.
- 10 See C.P. Stacey, "Britain's Withdrawal from North America, 1864-1871", Canadian Historical Review, Vol. XXXVI, No. 3 (1955), 185-98. Also helpful in understanding the effects this withdrawal had on encouraging Confederation is Stacey's Canada and the British Army, 1846-1871 (Toronto: University of Toronto Press, 1963), chapter VIII.
- 11 G.P. de T. Glazebrook, A History of Canadian External Relations (London: Oxford University Press, 1950), p. 122.
- 12 From Cartier's Confederation speech, cited in John Boyd, Sir George Etienne Cartier: His Life and Times (Toronto: MacMillan Company of Canada, 1914), p. 216.
- 13 Cited in McInnis, op. cit., p. 247.

- 14 McNaught, op. cit., pp. 128-29.
- 15 This according to John A. Macdonald in a letter to Lord Knutsford, cited in Joseph Pope, Memoirs of the Right Honourable Sir John Alexander Macdonald, I (London: Edward Arnold, 1894), p. 313.
- 16 See J.T. Copp and Marcel Hamelin, Confederation: 1867 (Vancouver: The Copp Clark Publishing Company, 1966), pp. 89-93, for a summary of this division of powers.
- 17 To ensure a quick settlement of their problems, the Great Powers generally overlooked Canadian interests on this occasion. However, certain concessions were granted in return for the Dominion's cooperation in the negotiations. These came as a result of John A. Macdonald's skilful manoeuvrings which, in themselves, might be regarded as a modest example of counterweight policy. London was persuaded to lobby on Canada's behalf to ensure the inclusion of a clause in the Treaty calling for Canadian parliamentary ratification of the pact. The U.K. also pressured Washington to adequately compensate the provinces for the use of their inshore fisheries. And a large loan for the building of the CPR extension into British Columbia was guaranteed by Britain in return for Ottawa's pledge not to antagonize the U.S. over claims relating to Fenian damages. The successful completion of this railway consolidated Canada's hold on the northern half of the continent and thus helped guarantee independent survival. See Donald Creighton, John A. Macdonald: The Old Chieftain (Toronto: MacMillan Company of Canada, 1955), chapters 3-4; or Shippee, op. cit., chapter XVI; or Maureen M. Robson, "The Alabama Claims and the Anglo-American Reconciliation, 1865-1871", Canadian Historical Review, Vol. XLII, No. 1 (1961), I-22.
- 18 Brebner, op. cit., chaps. 11-16, provides perhaps the most comprehensive account of the Canadian-American-British interrelationship during this period and it is from this source that all uncredited statements are derived.
- 19 See Charles Callan Tansill, Canadian-American Relations, 1875-1911 (Gloucester, Mass.: Peter Smith, 1964), chaps. V-VIII.
- 20 A comment made by Senator R. Dandurand, Canada's principal delegate to the League of Nations, at the 1924 Assembly, as cited in R.A. Mackay and E.B. Rogers, Canada Looks Abroad (London: Oxford University Press, 1938), p. 99.

- 21 The U.K. continued to be a very important market, especially for agricultural products. See footnote 35 below for figures relating to Britain's considerable importance to Canada in 1939.
- 22 Cited in Florence Elliot, A Dictionary of Politics (7th ed.; Harmondsworth, Middlesex: Penguin Books, 1973), p. 63.
- 23 Brebner, op. cit., p. 227.
- 24 Tansill, op. cit., chaps. XIII-XIV, details Canada's efforts to renew reciprocity with the U.S.
- 25 A.E. Safarian, The Canadian Economy in the Great Depression (Toronto: McClelland and Stewart, 1970), chap. 3, gives an excellent description of the adverse effects American tariff policy had on the Canadian economy. The author also notes the significant fact that U.S. tariff increases were influential in enhancing American dominance in Canada's economic life. "It has been estimated that 26 per cent of all American-controlled or affiliated companies in 1934 had been established or acquired since 1930." (p. 94).
- 26 Chamberlain proposed such an arrangement to Canada in a spring, 1896 speech to the Canada Club, partially cited in J.L. Garvin, The Life of Joseph Chamberlain, III (London: MacMillan and Co., 1934), p. 180. A well researched account of Chamberlain's philosophy in the context of his time is presented in William L. Strauss, Joseph Chamberlain and the Theory of Imperialism (New York: Howard Fertig, 1971).
- 27 See James A. Colvin, "Sir Wilfrid Laurier and the British Preferential Tariff System", in Carl Berger, Imperial Relations in the Age of Laurier (Toronto: University of Toronto Press, 1969), pp. 34-44.
- 28 McNaught, op. cit., p. 191.
- 29 W.K. Hancock, Survey of British Commonwealth Affairs, Vol. II: Problems of Economic Policy, 1918-1939 (London: Oxford University Press, 1940), chap. III provides a comprehensive account of the Ottawa Conference and its economic effects.
- 30 See Grace Beckett, The Reciprocal Trade Agreements Program (New York: Russell and Russell, 1941).
- 31 John J. Deutsch, "Recent American Influence in Canada With Particular Reference to Economic Factors and Canadian Reaction", in Hugh G.J. Aitken, et. al.,

The American Economic Impact on Canada (Durham, N.C.: Duke University Press, 1959), p. 39, cites the following table on Canadian balance of payments on current account, 1937-1939 averages:

Current Account Surplus (+) Deficit (-) with: \$Millions	
United States	-114
United Kingdom	+133
Other Commonwealth and Empire	+ 36
Other	+ 81
Total Current Account	+136

- 32 By entering into defense production agreements with the United States in 1941, Canada was able to funnel American support to Great Britain at a time when that country was standing practically alone in the War, thus prompting Winston Churchill's famous September, 1941 comment.
- 33 G.V. Ferguson, "Likely Trends in Canadian-American Political Relations", The Canadian Journal of Economics and Political Science, Vol. XXII, No. 4 (1956), 438.
- 34 Deutsch, in Aitken, op. cit., pp. 40-41.
- 35 Ibid., p. 46. Irving Brecher and S.S. Reisman, Canada-United States Economic Relations (Ottawa: Queen's Printer, 1957) point out the extent to which a once effective British counterweight was being overwhelmed by the American presence in Canada's economic affairs. The country's net indebtedness to the United States had increased from \$2.8 billion to \$8.9 billion between 1926 and 1955, while net indebtedness to Britain declined from \$2.6 billion to \$1.0 billion (pp. 86-88). Import-export figures were even more revealing. In 1939, the U.S. absorbed about 40% of Canada's exports and furnished approximately two-thirds of Canada's imports. The corresponding figures for Britain were 36% and 15% respectively. By 1957, America was buying 60% of the Dominion's exports and providing nearly 75% of the imports, while the shares of the U.K. had fallen to 17% and 9% respectively (pp. 3-4).
- 36 Ibid., p. 48.
- 37 Hon. Donald M. Fleming, Budget Speech, June 17, 1958 (Ottawa: Queen's Printer, 1958), p. 10. The negative impact of American agricultural policies on Canadian

farm exports is explained succinctly in Clarence L. Barber, "The Impact of United States Farm Policy on Canadian Agriculture", in Aitken, The American Economic Impact on Canada, op. cit., pp. 69-87.

- 38 Canada, Royal Commission on Canada's Economic Prospects, Final Report, November, 1957 (Ottawa: Queen's Printer, 1958), p. 393.
- 39 See James Eayrs, Canada in World Affairs, October 1955 to June 1957 (Toronto: University of Toronto Press, 1959), pp. 118-128.
- 40 Joseph Barber, Good Fences Make Good Neighbours, Why the United States Provokes Canadians (Toronto: McClelland and Stewart, 1958), p. 172.
- 41 Canada, Royal Commission on National Development in the Arts, Letters and Sciences, 1949-1951, Report (Ottawa: King's Printer, 1951), p. 18.
- 42 Canada, White Paper on Employment and Income (Ottawa: King's Printer, 1945), p. 7.
- 43 Canada, Department of Finance, Budget Speech, April 29, 1947 (Ottawa: King's Printer, 1947), p. 5.
- 44 See Forrest Rodgers, "The Sterling Area and the Dollar Problem", Behind the Headlines, Vol. XII, No. 7 (1953), 1-33.
- 45 Dale C. Thomson and Roger F. Swanson, Canadian Foreign Policy: Options and Perspectives (Toronto: McGraw-Hill Ryerson, 1971), p. 28.
- 46 Cited in W.E.C. Harrison, Canada in World Affairs, 1949 to 1950 (Toronto: Oxford University Press, 1957), p. 22.
- 47 See John W. Warnock, Partner to Behemoth, The Military Policy of a Satellite Canada (Toronto: New Press, 1970), chap. 4.
- 48 See B.K. Sandwell, "North Atlantic-Community or Treaty", International Journal, Vol. VII, No. 3 (1952), 169-72. Ottawa, in fact, hoped for an even broader base for N.A.T.O. As Lester B. Pearson stated in "Canada and the North Atlantic Alliance", Foreign Affairs, Vol. 27, No. 3 (1949), 375, N.A.T.O. "should be viewed as part of a general pattern for world security, which can be progressively developed within the framework of the United Nations."
- 49 See Trevor Lloyd, Canada in World Affairs, 1957-1959 (Toronto: Oxford University Press, 1968), pp. 25-39.

- 50 Eayrs, op. cit., p. 166.
- 51 John W. Holmes, "Canadian External Policies Since 1945", International Journal, Vol. XVIII, No. 2 (1963), 144.
- 52 See Gerald M. Craig, The United States and Canada (Cambridge, Mass.: Harvard University Press, 1968), pp. 242-257.
- 53 H.G.J. Aitken, American Capital and Canadian Resources (Cambridge, Mass.: Harvard University Press, 1961), p. 7.
- 54 The study based its findings on 1963 figures. The essential elements of the Watkin's Report are transcribed in Dave Godfrey and Mel Watkins, eds., Gordon to Watkins to You, Documentary: The Battle for Control of Our Economy (Toronto: New Press, 1970), pp. 64-81.
- 55 Ibid., p. 68.
- 56 Ibid., p. 72.
- 57 W.L. Gordon, Troubled Canada, The Need for New Domestic Policies (Toronto: McClelland and Stewart, 1961), p. 122. The author details the course of Canada's economic development over the five year period 1957-61. The question of foreign ownership was also generating concern of a more radical nature during the early sixties. See Andrew Lamorie, How They Sold Our Canada to the U.S.A. (Gravenhurst: Northern Book House, 1963).
- 58 This legislation, proposed in 1963, would have increased the withholding tax on dividends that subsidiaries in Canada paid to foreign owners from 15 to 20 per cent, and imposed a 30 per cent tax on takeovers of Canadian companies. An immediate outcry against these proposals by both U.S. investors and Canadian businessmen resulted in the legislation being substantially watered down. See Gerald Clark, Canada: The Uneasy Neighbour (Toronto: McClelland and Stewart, 1965), p. 91.
- 59 Cited in ibid., p. 97. Walter Gordon, in A Choice for Canada, Independence or Colonial Status (Toronto: McClelland and Stewart, 1966), pp. 83-87, has listed the takeovers of the better known Canadian companies since 1959.
- 60 Donald C. MacDonald, "The New Mercantilism: American Ownership and Canadian Sovereignty", in John H. Redekop, ed., The Star Spangled Beaver (Toronto: Peter Martin Associates, 1971), pp. 138-139, discusses the negative impact of American subsidiaries on Canada's independent

development as does Michael Barkway, "United States Investment in Canada" in Livingston T. Merchant, ed., Neighbours Taken for Granted, Canada and the United States (New York: Frederick A. Praeger, 1966), pp. 63-83.

- 61 Kari Levitt, Silent Surrender (New York: Liveright, 1971), p. 137.
- 62 MacDonald in Redekop, op. cit., p. 139.
- 63 Lloyd, op. cit., pp. 66-73.
- 64 Richard A. Preston, Canada in World Affairs, 1959-1961 (Toronto: Oxford University Press, 1965), p. 186.
- 65 Peyton V. Lyon, Canada in World Affairs, 1961-1963 (Toronto: Oxford University Press, 1968), p. 404.
- 66 As quoted in The Globe and Mail, 1 March 1962, "Between Two Worlds."
- 67 Lyon, op. cit., p. 441.
- 68 A 1964 poll showed that while Canadians opposed political union with the United States, they were not against economic amalgamation. The findings are described in Peter C. Newman, "The US and Us", Maclean's Magazine, Vol. 77, No. 11 (1964), 11-14.
- 69 See The Globe and Mail, 23 April 1965, "Argued With Johnson, PM Admits".
- 70 Epitomizing this period of "quiet diplomacy" was the June 1965 Merchant-Heeney Report, an official joint document laying down the principles of conduct to be followed by the two governments in their mutual relations. Entitled "Canada and the United States: Principles for Partnership", this report generated negative comment in the national press. See A.D.P. Heeney, "Independence and partnership: the search for principles", International Journal, Vol. XXVII, No. 2 (1972), 159-71.
- 71 Cited in Thomson and Swanson, op. cit., p. 31.
- 72 The Ottawa Citizen, 2 January 1971, "Canadian nationalism favored".
- 73 Cited in Geoffrey Stevens, "Mr. Trudeau Woos Europe", The Round Table, No. 260 (October, 1975), 403.

- 74 Canada, Secretary of State for External Affairs, Foreign Policy for Canadians (Ottawa: Information Canada, 1970). The decision-making process behind this review has been comprehensively analyzed in Bruce Thordarson, Trudeau and Foreign Policy, A Study in Decision-Making (Toronto: Oxford University Press, 1972).
- 75 Foreign Policy for Canadians, p. 9.
- 76 Mitchell Sharp, "Canada-U.S. Relations: Options for the Future", International Perspectives (Autumn, 1972), 1-24.
- 77 Stevens, op. cit., 405.
- 78 Sharp, op. cit., 22-23.
- 79 Foreign Policy for Canadians, p. 39.
- 80 The foreign policy assumptions underlying Mr. Trudeau's attitude toward Europe during the early years of his leadership are concisely summarized by Robin Ranger, "Canadian foreign policy in an era of super-power detente", The World Today, Vol. 28, No. 12 (1972), 546-54.
- 81 Canada, Secretary of State for External Affairs, Foreign Policy for Canadians, Europe (Ottawa: Information Canada, 1970).

Chapter II

The European Community As Counterweight?: Deciding on the Contractual Link

In June, 1972, the Canadian Government initiated its pursuit of a special trading relationship with the EC by dispatching a mission of senior officials to Europe to advance the idea to Community representatives. This action was the end-product of a decision-making process that, while ultimately traceable to the 1970 foreign policy review, evolved from various pressures and influences of a particularly pro-European character. Why the Government, after experimenting elsewhere, decided to seriously focus its attention on Brussels as a prime source of economic counterweight requires careful scrutiny. The Community's potential effectiveness in this regard, as projected to and interpreted by Ottawa, has not only determined the course of Canada-EC relations over the last few years but will also have a direct bearing on the relative success or failure of the Framework Agreement as such.

A great many factors - international conditions, historic relationships, trade patterns, interest groups, attitudes held by policy makers - combine to determine a country's external posture. As a useful framework for organizing this mass of relevant information, a 1969 foreign policy decision-making model developed by Michael Brecher

and associates is most useful.¹ The virtue of the Brecher approach lies in the fact that it combines both environmental and psychological factors, the former defining the "operational" setting in which foreign policy decisions are taken, the latter representing the subjective "filtering" of this observable environment by the key policy formulators involved. The authors contend that an accurate perception of objective conditions is likely to produce "successful" foreign policy judgments. A faulty analysis or the intrusion of new or changed data into the operational environment will, conversely, result in unsuccessful decisions. External and internal influences comprise the operational environment and within each category various systems or factors exist. The "global", "subordinate", and "bilateral" systems are of prime importance in the external environment while "economic capability" and "interest groups" help make up the domestic setting. Determining the elite's image of this "raw material" is accomplished by analyzing the words and actions of key decision-makers - the head of government, the foreign minister, and (for the purposes of this paper) the minister responsible for trade and commerce.²

The Brecher model may be loosely employed to discern the more important reasons behind Ottawa's decision to pursue its contractual link with the European Community. No attempt at rigorously implementing this paradigm to predict success or failure is intended however. The methodological categories suggested, together with the opportunity to

present attitudinal comment in themselves justify its usage. While Canada's decision-making position is the prime concern of this chapter, it is also necessary to briefly outline the attraction this country holds for the EC. Without the latter's interest, the negotiation process leading to the Framework Agreement and indeed the whole counterweight question itself would have been rendered irrelevant.

a) Environmental Factors and Subjective Interpretations

1. External Influences

International developments during the early Trudeau era seemed to be giving credence to predictions of an emerging global system dominated, in the non-communist world, by three large trading blocs.³ These groupings included one located in the Asian region headed by Japan, a second comprising much of the Americas and led by the U.S. with Canada a subservient partner, and a third centering on the European Community. The implications of such a configuration for a country struggling to maintain an independent identity were only too evident and did not go unnoticed by Ottawa.

Related EC policy developments strongly and overtly fostered the notion of a European sphere of influence. A series of preferential trading agreements under negotiation between the Community and various Mediterranean and Near Eastern countries in the early seventies together with preferential association arrangements with former African colonies of both the EC members and Britain suggested an

enlarged geoeconomic authority.⁴ This scenario was further supported by the prospective enlargement of the Common Market to ten members, together with the EFTA's desire to conclude a pact with the new Community providing for free trade in most industrial products and some agricultural commodities as well.⁵ The continental countries appeared once again to be turning toward their more traditional discriminatory trade practices following a brief, post-war fling with liberalized commercial exchange relations on the American-inspired most-favoured-nation principle.

Japan's importance to Asia in the 1970s was being compared to the rise of Prussia and the unification of Germany a century earlier. With balance of payments surpluses running at slightly over \$1.5 billion per year from 1968 onward, overseas investments by the country were expected to be increasingly substantial. And as the negotiations for various long-term procurement contracts illustrated, Tokyo found so-called non-Communist Pacific Asia (NOCPA), with its contiguous source of essential raw materials and relatively inexpensive labour force, a natural location for this investment. Already in 1971, one-third of Japan's total foreign trade was with NOCPA and predictions of a \$5 to \$10 billion commitment representing 40-50% of all Japanese imports and exports were being forecast for the area by the early 1980s. It was also predicted that Japanese business practice would ensure a much more intimate involvement in the local economies of the region than could be expected from the

Americans. Furthermore, Tokyo's success at avoiding the imperialist label while at the same time gaining respect in its area of influence as an economic giant was viewed as an added asset to bloc development.⁶

The trade and monetary measures unilaterally implemented by the Nixon administration on August 15, 1971 appeared conducive not only to U.S. economic aggrandizement in the Western Hemisphere but to the consolidation of the aforementioned regions as well.⁷ Washington declared that its new 10% surcharge on dutiable imports was a lever designed to induce the Community and Japan to accept exchange rate realignments and other conditions for the improvement of an undesirable United States trade balance. Such action, regardless of the motives involved, not only raised trade barriers but, when combined with the floating of the dollar, shifted most of the required international economic adjustment costs to Brussels and Tokyo. It was felt that the longer this shift was enforced, the more likely productive forces within these effected areas would demand countervailing action. Japan, for instance, no longer able to count on the U.S. as its largest and most reliable trading partner and prevented by discriminatory barriers from using the EC as a substitute, would likely reorient its trade toward resource-rich Pacific Asia. Equally important in strengthening the trend toward bloc formation were the projected psychopolitical effects of the 1971 measures. The GATT and the IMF - ironically, American inspired and financially supported -

could find their responsibilities in maintaining and improving international economic integration more difficult to execute. Washington's actions had set a dangerous precedent that might lead others to regard IMF or GATT rules less seriously. As for the United States itself, leadership in the Americas, whether desired or not, was seen as almost inevitable. In the event of prolonged failure to settle critical issues constructively with Japan and the Community, the U.S. would sooner or later be constrained to grant exemptions from its discriminatory and restrictive measures to countries politically or economically dependent upon it or believed to be vital for its own security. Such preferential treatment accorded to Canada, Mexico, Central America and Caribbean states, and perhaps Venezuela, Colombia, and Brazil among others would ipso facto make them members of a Washington-dominated bloc.

This evolving global system, as it appeared in the early seventies, had adverse implications for the Trudeau government's expressed foreign policy objectives. Making matters worse were futurologists like Herman Kahn who spoke of the vitality of "winning" groups such as Europe and Japan, and the decline of certain "losing" groups, such as the United States and the Soviet Union, whose aging administrative structures were beginning to constitute a threat to economic growth.⁸ Canada, if these predictions proved correct and the emergence of the Community as the world's largest economic grouping seemed to point in that direction,

would not only be absorbed totally into the American sphere of influence but would also be destined to suffer eventual economic decline. Policy makers intent on following the two objectives of the 1970 foreign policy review could not allow either situation to arise. Practicing the Third Option to lessen U.S. economic dominance was, in the direction Mr. Trudeau initially took it, only an insufficient first step. The way of the future lay with a "new generation" of big industrial markets and international firms, and with the acceleration of technological change. Unhindered access to a market of scale, especially for industrial products, was expected to become an increasingly valuable asset. As Ernest Waengler of the Financial Post observed, "Whether or not Canada succeeds in coming to terms with these (bloc) developments may well determine our future as a trading nation."⁹ Thus, if blocs were important and assimilation within the American Hemisphere was ruled out, the only logical choice, in terms of cultural, racial, and linguistic similarities, was an association with the European Community.¹⁰

Changing conditions after 1970 in the subordinate system - a regional grouping which, for Canada, represents the North Atlantic area - also forced Canadian decision-makers to look toward Europe as a counterbalance to the U.S. The implications of EC enlargement, particularly that of British entry into the Community, were crucial in the development of this new posture. To a lesser extent, American "Year of Europe" proclamations also had an impact.

Both events, had Ottawa not shown appropriate concern, were potent ingredients for the division of the Atlantic system along a line of cleavage running through the Atlantic Ocean.¹¹

In statistical terms, the emerging Europe of Nine was hard to ignore. On January 1, 1973 it represented a population of 256 million, a figure exceeding both that of the U.S. and the U.S.S.R.¹² As an import market, its predicted worth of more than \$75 billion for 1973 was approximately one and a half times as large as the United States' total. Gross production forecasts, during the same period, were projected at \$635 billion. Roughly 40% of global trade and of world monetary reserves fell within its grasp. The new EC was responsible for over a quarter of the free world's merchant fleet and a similar percentage of the global steel output. All this was enhanced by the expected continued growth of the Community to include other West European countries which, by 1980, would encompass nearly 270 million people, with a Gross Community Product of almost \$200 billion and an import market forecast at \$130 billion.¹³ For Canada, a country intent on developing meaningful and durable counterweights and whose 1972 exports to the Community amounted to a comparatively disappointing \$2.4 billion, the potential was obvious.¹⁴

However, it was Britain's accession which more than anything else encouraged the development of closer EC ties. The U.K.'s pivotal role in Ottawa's efforts to maintain a

multifaceted external trading orientation was now officially at an end. The Commonwealth preference system, while reduced over the years to only a shadow of its 1932 form, no longer would provide even a symbolic source of economic diversion for Canada on the North American continent. A suitable substitute had to be found. In a narrower trade sense, policy-makers were jolted by rather faulty initial predictions of harsh consequences stemming from the U.K.'s action. According to some sources, more than 60% of Canada's exports to Britain were likely to be adversely affected by British entry, as the advantageous Commonwealth preference was replaced by the discriminatory Common External Tariff (CET) of the EC.¹⁵ It was said that the problems created by Community agricultural policies - particularly those relating to the dumping of unmanageably expensive surpluses - would, with the U.K.'s new association, affect Canada "profoundly".¹⁶ And a reduction of Canadian competitiveness in sophisticated export industries was expected with London's participation in continent-wide scientific research and science-based industries.¹⁷

While this ominous prognosis successfully generated interest in the EC, if only in a negative manner, more rational appraisals appearing in 1972 painted a much brighter picture and persuaded Ottawa to view British entry not for what it represented in the way of a loss but rather for what it might mean as a long-term asset. Certainly, the preliminary trade dislocation figures appeared

exaggerated under closer examination. The new estimates¹⁸ set the proportion of exports allowed duty-free entry into the U.K. at approximately 45%, an amount reflecting an inadequate overseas domestic supply of various foodstuffs and minerals. A further 10% of export sales were expected to escape the Common External Tariff because of special arrangements negotiated with the Community by Britain on behalf of the Commonwealth. However, the products involved here, which included wood pulp, newsprint, Douglas-fir plywood, and phosphorus, would be subject to quotas for the first time. Only the remaining 45% of the country's goods were likely to find access more difficult. Listed in this category were wheat, barley, tobacco, aluminum, lead, zinc, steel, and paper products other than newsprint. Fortunately, some of these commodities would face only marginal setbacks. Canadian hard wheat and special malting barley, for instance, were ingredients traditionally demanded in bread and beer by British tastes and were ensured a market despite the increase in import prices. Likewise, it was noted that Canada already supplied large quantities of lead and zinc over the CET to Common Market members making the loss of U.K. preferences only a minor inconvenience. Thus the overall impact of enlargement was not as desperate as first described. And even if the damage to sensitive items was considerable - Roy A. Matthews used the hypothetical figure of \$300 million annually or one-fifth of total trade with Britain - it would represent no more than 2% of the value of

Canada's exports to all countries (1972 estimates).¹⁹

This latter point stressed the rapid decline of Britain's relative importance to Ottawa in its international economic dealings. Exports to the U.K. by 1972 were growing only one-fourth as rapidly as those to the EC and comprised just 9% of total foreign sales (down from 17% in 1960).²⁰

British membership in the Community, therefore, meant several things. As a combined unit, the new Common Market would absorb more than 15% of Canada's exports²¹, an amount interestingly equivalent to the shift deemed necessary by Mr. Diefenbaker in 1957 as a balance to the trade pull of the U.S. Association could also provide a stimulus to the U.K.'s economic growth-rate which, in the long-term, might increase total demand for Canadian goods. In addition, Ottawa, in spite of the favourable forecasts, was still obliged to concern itself with certain items destined to lose preferential status. Britain, out of traditional commitment, might provide privileged access for Ottawa in Brussels to negotiate some form of special arrangement in this respect. If such access was made possible, London's predicted value as a moderating influence to the subordinate system's growing Western Europe-North America dichotomy would be justified.²²

The implications of Community expansion also generated concern in Washington over the future of North Atlantic relations. Adjusting emotionally to a situation no longer guaranteeing America its traditional post-war economic

predominance in the region, grasping the Common Market's implicit challenge to the Bretton-Woods concept of multilateralism, and grappling with what Miriam Camps has termed "doctrinal" considerations - those relating to the reality of opposing economic blocs,²³ all predestined the Europe-oriented diplomatic offensive launched by the United States in 1972-73. The Nixon-Kissinger strategy in this effort sought to re-establish the virtue (as they saw it) of managing regional problems collectively for the common good rather than allowing relationships to be organized by the interplay of particularist or sectional interests. Dr. Kissinger's September, 1972 European visit announced America's intention to "resume most intense consultation with our European friends on how to put relationships...on a new, even more dynamic and constructive basis."²⁴ At about the same time, the U.S. Senate Committee on Foreign Affairs was preparing its "Atlantic Union Resolution" calling for a convention to explore "the possibility of applying the genius of our own United States Federal system to the broader Atlantic community" for the purposes of resolving Atlantic tensions.²⁵ And Kissinger's "Year of Europe" initiatives, embodied in his April, 1973 "New Atlantic Charter" speech to the Associated Press Editors' annual meeting, focused on the fact that the "gradual accumulation of sometimes petty, sometimes major economic disputes must be ended and be replaced by a determined commitment on both sides of the Atlantic to find cooperative solutions."²⁶ In

addition, it was announced that President Nixon would visit the Community towards the end of 1973 to further advance America's position.²⁷

All this activity could only be termed discomfoting for Ottawa. While the objectives of the U.S. initiatives, were perhaps admirable, the impressions created by their enunciation would do little to promote Canadian distinctiveness on the North American continent. In many cases, Canada's North Atlantic grievances and problems were more in line with the European position than with the American, a reality obscured by the U.S. "we-they" analysis of regional differences. Washington's tendency to bypass Europe diplomatically or to inadequately respect national independence, for instance, had an annoying relevance to the Canadian experience. To help dispell the country's satellite image, an image inevitably strengthened by Washington's approach, a more concerted effort had to be made to explain Canada's Third Option policy to the Europeans.

Prime Minister Trudeau's memorable elephant-mouse analogy describing the North American interrelationship proved most apropos to the early seventies. The Canada-U.S. bilateral system (in Brecher parlance) was also undergoing a marked change that had the effect of further encouraging closer Ottawa-Brussels ties. President Nixon's August 15, 1971 proclamation and the events which subsequently flowed from it appeared to spell the end to a long-standing special relationship between the Dominion and its southern neighbour,

a relationship denoting, in part, preferential trade treatment. Even though eventually resulting in only minimal commercial damage, Washington's protectionist policy had a very definite psychological impact on Ottawa's vision of how its external dealings should be ordered. If the country was to maintain some semblance of economic integrity on the continent, the wooing of a rival trading partner seemed essential.

The possible repercussions of the August measures were viewed with understandable alarm in Canada. One-quarter of the country's exports to the U.S. valued at about \$2.7 billion (in 1971) would be affected by the 10% import surcharge imposed on many manufactured and semi-manufactured products. The additional 10% investment tax credit proposal, a non-tariff barrier designed to encourage American firms to buy capital equipment produced within their country, would likewise put Canadian competitors at a decided disadvantage. To further darken the picture, plans to revive the DISC (Domestic International Sales Corporation) scheme during the fall of 1971 were announced. This measure was expected to give U.S. exporting concerns a tax deferment on export revenue, provided the revenue was retained in the company or used to initiate new export growth. Such a plan had several adverse implications for Canada. Sales to countries where Canada and the United States competed were likely to be harmed. The growth of exports from existing U.S.-owned Canadian subsidiaries to third markets could be reduced by

the amount lost to United States sources. American parent company decisions to increase investment in manufacturing branch plants would be less enthusiastically taken. And DISC's enormous incentive for Canadian-owned firms to establish outlets in the U.S. had foreseeable dangers for Canada's employment situation.²⁸ Following close on the heels of these "Nixonomic" pronouncements was the submission to Congress in late September, 1971 of the Foreign Trade and Investment Act of 1972, a piece of legislation seeking to augment the aforementioned export incentives with import restrictions.²⁹

Confusion and shock best described the Dominion's initial reaction to Washington's new protectionist measures. Why was Canada, a country so intertwined economically with its neighbour that trade distortions were mutually disadvantageous, not exempt from such discriminatory action? Had not Ottawa, by refusing to convert dollars into gold, by preventing the country from being used as a "flow-through" for those endeavouring to circumvent American capital controls, and by floating the Canadian currency when U.S. dollar reserves began accumulating too rapidly, not fully assumed its responsibilities as a member of the "dollar bloc"? What of the traditional "special relationship" status of the two nations? Surely, the United States government, in its efforts to persuade Europe and Japan to revalue their currencies, had again merely overlooked its largest trading partner. But, as a high level Canadian

delegation sent to Washington to remind the Americans of their oversight found out in early December, Canada was indeed consciously targeted along with the other victims of the measures. No exemptions would be granted and economic concessions from Ottawa were expected.³⁰

This intransigence marked a watershed in post-war North American relations. "Geography has made us neighbours....Economics has made us partners", President Kennedy had declared in 1961.³¹ A decade later, U.S. concern over two basic issues - unemployment and national security - was transforming this friendly but suffocating embrace into a cool, calculated detachment that was, for the Dominion's independent well-being, just as dangerous. Novelist Hugh MacLennan astutely sought an answer for the reversal in a comparison with the Roman Empire:

The U.S., like Rome, long reigned pre-eminent without losing a war. But Vietnam has been for the U.S. what the dense woods of Germany were for the legions of Augustus, the final impenetrable frontier. The U.S., in short, has reached the limit of its expansionary power....Roman energies turned inward, Roman bureaucrats and businessmen concentrated their efforts in the Roman area of direct influence and control. This meant a deliberate effort to Romanize all those diverse, territorially based people of the ancient world... and homogenization.³²

If the United States was to partially withdraw from world involvement, it wanted to ensure the creation of jobs at home. And it had to know where it stood with regard to the raw materials so vital to its security. On both of these counts, Canadian attitudes had been such to wear Big Brother's

patience thin.

From the American point of view, the growth of Canadian nationalism was making bilateral relations difficult. Washington's attempts to resolve the nation's shrinking energy reserve problem by securing a long-term continental resource sharing agreement with Canada had been stymied in 1969 following widespread public opposition to, and subsequent government disavowal of, Energy Minister J.J. Green's enthusiasm over the idea. Considerable waffling thereafter served to frustrate U.S. attempts to ascertain what exactly Ottawa's resource policy was. Then Canada, without seriously proposing an alternate route through its own territory, officially entered the Alaska pipeline debate on the side of concerned American environmentalists opposed to such construction.³³ The U.S. News and World Report outlined other security-oriented irritants. Ottawa, was accused of undermining American programs designed to untangle world-wide problems, such as the two-China solution of representation in the U.N. And while relying on U.S. military strength for its own security, Canada had complained in Moscow of excessive American influence in joint defense planning. Opposition to the Amchitka nuclear blast was similarly not appreciated. All these sources of friction were further heightened by the uncertain investment climate in the Dominion, and by Washington's dissatisfaction over the evolution of the 1964 Auto Pact, an arrangement originally intended to encourage mutually beneficial free trade

but which had, in fact, heavily favoured Canada.³⁴

If the United States had shocked Canada with the severity of its economic measures and by its disregard for special relationships, the actions taken by Ottawa in return indicated that the U.S. could be likewise affected. While the Smithsonian Agreement of December, 1971 generally resolved the immediate trading crisis - Washington dropped its protectionist measures in return for European and Japanese promises to negotiate a realignment of their currencies with the American dollar, Canada refused to peg its dollar at a value above its neighbour's (Spring of 1972), a situation which threatened the guarantee of a U.S. export advantage. Heated bargaining sessions between the two countries early in the new year failed to appreciably alter the situation. Ottawa did agree to certain relatively minor trade reform concessions but remained firm in its belief that, by having released its currency from the 92.5¢ level in May of 1970 and allowing it to float upward some 7%, adequate revaluation measures had already been enacted.³⁵

As Prime Minister Trudeau bluntly reminded Washington, Canada's position was taken in the strong belief that a continuing trade surplus was necessary in order to pay the more than \$1 billion in interest and dividends to U.S. investors for the use of American capital:

The U.S. is now telling us that it doesn't want to have a trade deficit with us....
Are you (Americans) saying you want to receive from Canadians, and indeed from all the world, interest and dividends....and

not let the rest of the world and Canada pay you by selling more goods to you because you still want to sell more goods to them? Therefore, are you saying that you must export long-term American capital to all countries in the world? In other words, are you saying that your economic system is leading you to buy up as much of the world as possible?³⁶

The barely concealed fury felt by the United States over Canada's surprising show of resistance found its medium in the U.S. Secretary of the Treasury, John Connally. Known as the "terrible Texan" and as "the single worst enemy Canada has had in the U.S. administration for a very long time"³⁷, Connally served to only exacerbate continental tensions. It was pessimistically predicted that the Secretary would implement retaliatory measures, such as applying a countervailing duty on federally or provincially supported exports, issuing "get tough" instructions to the U.S. Tariff Board in regard to dumping practices by Canada, reducing the \$100 allowance for American tourists returning from the Dominion, and/or abrogating the Auto Pact by giving the required one year notice.³⁸

Thus, the previously mentioned external incentives to pursue closer EC trading relations were reinforced by the deteriorated state of the bilateral system as it appeared in the spring of 1972. No longer was suspicion of American foreign policy confined to the anonymous, largely youthful public. Business and government now too had been jolted from their comfortable complacency vis-à-vis the United States. The sense of uneasiness about the high concentration

of Canadian eggs in the American basket was pervasive. . . . Indeed, Mr. Sharp's Third Option statement, appearing when it did in late 1972, undoubtedly owed much to this particular bilateral turn of events. Dalton Robertson, associate editor of the Financial Post, concisely summarized the perceived threat to the country:

These developments make it painfully clear that Canada's existing economic policies leave us in a very vulnerable position. And the special misery is the fact that the new aggressiveness of the U.S. is not a one-shot affair. The Americans, in other words, will be back, either with new demands to cure the U.S. balance of payments problems, or as investors in projects that hold little profit or employment potential for Canada.³⁹

And according to another business observer, a realistic approach for lessening this danger was adaptability:

...the "Nixon Shock" has brought home to us that "special relationships" take second place to self interest when the U.S. economy feels itself threatened. While fostering their trade with the U.S., Canadians must, above all, be adaptable to change and keep an open mind on all other trading options open to them.⁴⁰

Such advice could not ignore the European Community.

2. Internal Influences

Reducing dependence on the United States by developing a meaningful Common Market counterweight was also prompted in the early seventies by conditions and interests within Canada itself. A declining "economic capability"⁴¹, for example, appeared to be restricting the country's

success at asserting its autonomy internationally, a situation which brought cries from varied concerns for a comprehensive national "industrial strategy". Such a strategy, it was believed, could reduce the vulnerability of, and indeed, through rationalization, stimulate the Canadian economy. And it appeared that in any such plan, the European Community would be an essential element. In addition, influential groups and individuals were directly pressuring Ottawa to adopt closer EC trading ties for reasons relating to both the Third Option and commercial opportunity.

Surveying the performance of Canadian industry during the late sixties - early seventies, the Economic Council of Canada reported in 1971 that the country had experienced the lowest productivity per capita increases among seven industrial nations.⁴² Similarly, the Science Council, in a review of the relative decline of the technologically based secondary sector, was moved to comment pessimistically:

If these trends continue - and there are no signs in the last four years of their improvement, or even of their arrest - Canada's economy in this decade will increasingly become dependent on the resource and service industries. Resource industries offer limited opportunities for employment; furthermore much of their profit does not remain in Canada. The funnelling of funds out of the country is likely to stunt the growth of our service industries, which are unlikely in any case to use the very people in whom our most substantial educational investments have been made. Our participation in international trade will become less and less significant and we will become - once

again - mainly suppliers of raw materials to the North American continent.⁴³

These observations gave credibility to the 1972 publication of the "Grey Report" on foreign investment, a critical study having as one of its key recommendations the establishment of a screening mechanism possessing the power to "block foreign direct investment...where such investment would distort Canada's industrial priorities or where it would add nothing of significance to the Canadian economy...".⁴⁴

The fact that the country lacked the very industrial policy on which such controls could be based was immediately pointed out and made the subject of a wide-ranging debate among academics, business, and government alike.⁴⁵ But if the type of strategy to adopt in this respect was open to question, its necessity, for reasons of investment uncertainty and a declining economic capability generally, was not. Pressure on Ottawa from all sources to develop a meaningful blueprint for national economic development and prosperity was intense.

A science policy, most analysts seemed to agree, had to form an integral part of any industrial strategy considered by the Government. If secondary industry, with its job generating potential, was to be emphasized, Canadian companies would have to establish themselves in operations beyond their small home market. Enduring the competition internationally, however, required an innovative capacity which, for Canada, posed several substantial problems. Few

independent native firms had the appropriate infrastructure necessary for innovation development, a situation reflecting the lack of "critical mass" (large scale operations) needed to afford the initial cost and a shortage of risk capital. Research and design facilities that were in place were largely foreign owned and, to reduce cost and unnecessary strain on the system, centralized abroad. As a result of these conditions, national demand for skilled industrial research teams tended to be meagre at best.⁴⁶ Still, the challenge of overcoming such monumental R and D problems seemed justified. In the words of one authority writing of the issue of the time, "nothing does more for a country's self-image, and hence its feeling of independence, than to succeed against all comers in some dimension or other."⁴⁷

Firms hoping to develop a level of innovative expertise and wishing to gain effective access to foreign markets would have to rely on some creative government encouragement. The European Community, in this sense, provided a very attractive solution for Ottawa. Through the negotiation of joint ventures and other rationalizing arrangements, the EC, as a large-scale unit, could supply the required capital economies essential to such expensive commercial exploitation.⁴⁸ A special trading relationship might go a long way in stemming Canada's economic slide and provide at the same time a desirable counterweight to the U.S.

Various interest groups within the country further

impressed upon the Canadian decision-making elite the advantages of developing a more intimate association with the Common Market. The influential Economic Council of Canada, in its Seventh Annual Review (September, 1970), explicitly discussed Britain's impending entry into the EC and suggested Ottawa give the matter priority concern.⁴⁹

Some exports, including grain and several processed forest products, were labelled as open to serious damage if the U.K. adopted Community tariff and non-tariff systems. However, it was pointed out that under GATT regulations, Canada was provided with an opportunity to seek changes in these systems to ensure continued full market access for its exports. Furthermore, a revision of the Canadian preferential tariff system, stemming from the withdrawal of Britain as a preferential trading partner, might accompany such adjustments and be used to facilitate some accommodation of Canadian interests. This revision could involve abolishing preferences and reducing the most-favoured-nation tariff on certain products, thereby providing both an attraction to the European Community and, in the event Market enlargement were accompanied by a general round of commercial policy adjustments among GATT nations, to other major trading associates as well. Beyond these immediate concerns, the Economic Council stressed that the projected new EC would account for about half of Canada's rapidly expanding overseas exports and be vital to the future prosperity of certain products dependent on such markets. On the worrisome issue

of markets of scale and possible trade bloc isolation, the report outlined the economic advantages of participating in a free-trade area with the United States but felt that broader political, social, and cultural concerns dictated an association encompassing several industrially advanced countries. The Community appeared ideally suited for this arrangement.

Adding emphasis to the message of this ECC Annual Review were the opinions expressed by the Conservative Leader of the Opposition, Robert L. Stanfield, following his July-August, 1970 fact-finding tour of European Community countries. Having conferred with, among others, French Foreign Minister Maurice Schumann, British Prime Minister Edward Heath, and Jan Helmont, Secretary General of the Action Committee for the United States of Europe, Stanfield significantly filled a void created by Mr. Trudeau's official neglect of the continent during his early years in office. His July 27 address to the Foreign Affairs Club in London displayed considerable foresight and concern, and resembled more that of a head of state than of a non-government spokesman:

Our ability to retain our own independence depends to a very large extent on our own continued access to the markets of Britain and Europe. If restrictions (arising from enlargement) were too severe, we would be hurt accordingly and forced into still closer relations with the United States.⁵⁰

At a press conference on his return, the Opposition Leader

2

strongly criticized the Government for grossly underestimating the importance of the EC and for not paying sufficient attention to it in the Foreign Policy For Canadians study. Officials had emphasized to him that, with Britain attempting to join the Community, the time was ripe for Canada to press its own interests and concerns with the body. But, Stanfield charged, Ottawa's failure to explore such prospects or to even expediently reappoint an ambassador in Brussels (a post vacant since February, 1970) had created the impression that Canadians were apathetic. It had also left many Europeans unaware of the country's particular economic and political problems:

I was a little disturbed to find in some quarters....the feeling that Western Europe will be preoccupied with its own problems in the Seventies and that Canada, since it is favourably situated next to the United States, should have no real problems of its own. Some people seemed to feel that while Britain was integrating with Western Europe, the sensible thing for Canada to do is to integrate with the United States. I had to point out that this was not a solution acceptable to most Canadians.⁵¹

Believing that "Trading patterns are just about as significant to our autonomy as foreign investment"⁵², Stanfield demanded that the Trudeau administration show more initiative in encouraging Canadian business to exploit opportunities in the European Community. One way of doing this, he suggested, was to explore the possibilities of cultivating a special commercial relationship with the EC.

Hearings held during 1970 by the House of Commons

Standing Committee on External Affairs and National Defense to discuss Foreign Policy For Canadians also brought European problems and potential to direct government attention. (The Committee's influence on Canada's foreign policy decision-making process has been regarded as considerable, as its published material traditionally has served to stimulate extensive discussion in the press and academic journals and in House of Commons debates.)⁵³ Briefs presented by business and research groups in March were particularly revealing. R.M. Fowler, President of the Canadian Pulp and Paper Association, stressed to the members that Canadian manufacturing industries required guaranteed access to a market of at least 100 million people to achieve the advantages of scale and specialization necessary for continued job expansion and prosperity.⁵⁴ The U.S. was most desirable to business in this respect, but Ottawa's reluctance to further intensify North American integration was raising the likelihood of eventual trade bloc isolation. European Community developments, notably that of British entry, had a neglected relevance to this problem, Fowler emphasized. Commenting on a recent visit to London and Brussels, he said that the Pulp and Paper Association was startled to discover that they were the only Canadian industry that had as yet gone to the Community to study the impact of enlargement and to declare concern and interest in continuing trade with the area. This was "a real charge against Canadian industry", considering the creation of a

powerful European commercial bloc was virtually assured.

But all was not lost:

There is still a little time available, a very little, to try to improve the prospects for Canadian trade as part of the terms of U.K. entry. This needs prompt action by Canadian industries and vigorous support by the Canadian government.

...there is no reason why we cannot make a special relationship with the enlarged community of Europe and through a correlative relationship we can create a balance with the United States on an expanding basis. If we do that kind of thing we can get ourselves out of this trading corner.⁵⁵

A presentation made by three representatives of the European Documentation and Research Centre of Montreal suggested that the entry of Britain held bolder opportunities for Canada.⁵⁶ It was altogether possible, the Committee was told, that an enlarged Community would be quite receptive to some special trade pact with Ottawa that would provide mutual benefits consistent with American motivated, independent aspirations. It was also pointed out that commercial advantages were only one dimension of EC attractiveness. The world monetary system's centre of gravity was likely to shift more toward Brussels when, in the not-too-distant future, a "Euro-currency" became reality. Canada, again situated between two "blocs", might do well to envisage the usefulness of a partnership with the Europeans in this area. Further, it was argued that diversifying borrowing practices by dealing with the European money markets could enhance the country's autonomy. Since Europe had a profit margin in

relation to the United States, paying back American loans with Community funds would establish a circle enabling U.S. dollars to return home through normal international channels. Mr. René Didler, General Director of the Centre, summed up the thrust of the message this way: "Nous nous demandons, c'est là l'interrogation que nous faisons, si ce n'est pas une occasion unique pour que le Canada puisse, par là même, sortir de sa dépendance vis-à-vis des Etats-Unis."⁵⁷

A comprehensive July, 1973 report on the European Community by the Senate Standing Committee on Foreign Affairs was perhaps the most significant motivator of the Framework Agreement. The decision to pursue the fourteen-month study was taken in the belief that "not enough attention was being given in Canada to developments in Western Europe and their potential impact on Canada's position in the world community."⁵⁸ After thoroughly familiarizing itself with the nature and functioning of the EC and having been convinced that the enlarged Community and its future evolution were indeed of prime importance to the country, the Committee sought to uncover how Canada could best hope to increase its ties, commercial and otherwise, with the area. What measures could be taken to bring the importance of the EC to the attention of Canadians and vice-versa? And how could the dangers of bloc isolation be emphasized to both sides? The inquiry developed answers from briefs submitted to it by representatives of the business, academic, and government communities, the latter including such

notables as Mitchell Sharp and Industry, Trade and Commerce Minister Jean-Luc Pepin.

One provocative presentation, by Dr. Charles Pentland of Queen's University, warned of the dangers of embracing a North American common market and criticized the Government's multilateral approach to trade diversion as "remarkable for the lack of specificity which it embodies."⁵⁹ He proposed that Canada institutionalize its ties with Western Europe either by a formal trade treaty that set up certain preferences or by some type of association agreement as permitted under Article 238 of the Rome Treaty. "Presumably", Pentland reasoned, "we are going to have to compete with the raw materials supplying countries for European markets, and we may find ourselves, unless we are careful, out in the cold because some kind of preferential arrangement will have been made between the EEC and Soviet Union and the EEC and other eastern European countries."⁶⁰ The following were among the Report's more pointed recommendations:

It would be appropriate for Canada to have a separate agreement with the Community to ensure that the EC will differentiate clearly between Canadian interests and those of the United States (p. 14)...The Committee is convinced that an official visit by the Prime Minister to the European Community and, if possible, to member states is of vital importance to the continuing development of Canada-Community relations (p. 36)The Committee is convinced that Western European markets offer Canada the most important prospect for diversification of its exports, particularly of semi-processed and manufactured goods (p. 37).⁶¹

Other sources of domestic pressure included the

respected Canadian Institute of International Affairs which, through its various publications, gave authoritative voice to a strong European connection. The October, 1972 issue of Behind the Headlines, for instance, was devoted to assessing the impact on Canada of Britain's move into the Community. Here it was stated that "Western Europe as a whole is a more potent economic and political force for Canadian attention than Britain alone could ever be" and that some form of arrangement with the Common Market should be contemplated as part of any future bargaining on the British preference question.⁶² Comments made by Peter C. Dobell in International Journal held a two-fold significance, the author being the Director of the important Parliamentary Centre for Foreign Affairs and Foreign Trade in Ottawa.⁶³ His winter 1971-72 article entitled, "Europe: Canada's Last Chance?" criticized policy-makers for their remarkable myopia in viewing the development and potential of the EC. Europe was, he thought, by virtue of its power, past connections, and economic strength, "the one region with which Canada might hope through sustained and purposeful effort so to increase the existing and substantial links as to diminish the crippling sense of dependency on the United States which Canadians at times feel."⁶⁴ The CIIA also co-sponsored a major September, 1971 conference held in the U.K. that dealt with the changing nature of Canadian-British relations. The participants, who included parliamentarians, professors, journalists, and civil servants from both

countries, were primarily concerned with British entry into the Community and the implications such an event would have for Canada's counterweight aspirations.⁶⁵

3. Subjective Interpretations

How were these various environmental pressures perceived and interpreted by Ottawa? From an analysis of the words and actions of the key foreign policy decision-makers (as suggested by the Brecher model), two general observations may be made. First of all, the decision to develop the Framework Agreement evolved rather naturally from a pragmatic application of the basic tenets of the 1970 White Paper to the environmental conditions themselves. Secondly, it appeared that during the early seventies the Prime Minister continued to downplay the importance of the Community by concentrating his external interests on more "exotic" lands. Europe remained, in an official sense, virgin territory for him. Aside from receiving the occasional European visitor or issuing a relevant directive to the External Affairs or Industry, Trade and Commerce Minister, Mr. Trudeau was noticeably indifferent to pro-Community influences. This attitude strengthened, in fact, the pressures advocating greater recognition of the area. Mr. Sharp and Mr. Pepin, on the other hand, seemed progressively to place more stress on Canada-EC relations as events unfolded and it was largely through their perceptions that the contractual link idea was conceived.

Prospective Community enlargement to include Britain evoked responsive concern in Ottawa. While the notion that external affairs should be conducted in the best interests of domestic welfare was, with the evident dangers to Canada of bloc isolation and U.K. preference loss, the guiding principle here, the EC's value as an important region for diversification also gained greater recognition. In a reply to a series of parliamentary questions on January 26, 1970, Mr. Trudeau acknowledged that Canada had "pressed" on British Prime Minister Wilson during the latter's January 25-26 visit the importance of keeping Canada informed about British negotiations on entry.⁶⁶ Similarly, the Minister of Industry, Trade and Commerce assured the House in February that the U.K. had been made well aware of the Government's anxious feelings and that Canada was "insisting, has insisted and will insist" on an exchange of views before, during and after negotiations.⁶⁷ An early April visit to Paris and Bonn gave Mr. Sharp an opportunity to reiterate Ottawa's concern and to also propose to Germany the establishment of a scientific cooperation agreement. This latter request, to include among other things, a sharing of mining and communications research, was a matter of pure survival for Canada as a nation, according to the Minister, who pointed out that the country could not continue to be tied ever closer to technology from one source (the United States).⁶⁸ The need to impede the trend toward global trade blocs through multi-lateral tariff reducing negotiations was the subject of an

April 16 address by Mr. Pepin to the Brantford Regional Board of Trade. It was further noted on this occasion that in recent years the Canadian economy "has grown more dependent on the U.S. market and consequently more vulnerable to its fluctuations". He juxtaposed this comment with a reference to the Community as a large and growing market and one in which "the general feeling is that we could and must do much better."⁶⁹ A similar message was delivered in Mr. Pepin's September 10 speech to the Canadian Millers' Association.⁷⁰

The Prime Minister's announcement on September 21 - timed, revealingly, after Mr. Stanfield's criticism of Liberal EC neglect - that his Ministers would undertake a series of consultations with European governments over the enlargement issue, stated as its purpose the need "to keep participants...informed at the highest level of Canada's trading interests which stand to be affected", to discuss some of the broader economic and political ramifications of the process, and to permit his representatives "to inform themselves at first hand concerning the process and prospects of Common Market negotiations."⁷¹

The September 29-October 6 trip by Mr. Pepin to Geneva, London, and Brussels followed by Mr. Sharp's November 26-30 visit to London and Brussels were the results of this offensive. Reporting his findings to Parliament, the Minister of Industry, Trade and Commerce continued to emphasize the difficulties British entry posed for the

nation and to express the Government's belief that enlargement should only be carried out in tandem with broader, multilateral talks aimed at mitigating the effects of trade diversion. But in outlining the country's official strategy to deal with the European problem, Mr. Pepin gave an indication that some form of special bilateral arrangement between Canada and Common Market might be in the making. Ottawa, he said, would continue "to seek areas of mutuality of interest", and to establish in consultations the kind of relationship which an expanded Community might have with Canada. The Government was also to consider how Canadian contractual rights and obligations, both bilateral and under the GATT, could be put into play most effectively to maximize commercial bargaining power. The implications of enlargement for Britain's preferential access to the home market would be reviewed and used to insist on the best terms of trade both from the U.K., as a major economic partner, and the Community, as a significant overseas market.

In summarizing his tabled statement, Mr. Pepin thought that on the basis of his discussions Britain and the EC were prepared to maintain an exchange of news and information with Canada throughout the negotiations and were willing to explore areas where European interests might coincide "to some extent" with Canada's. He assured parliamentarians that greater emphasis were being given to the Community in the program of his department.⁷²

The opportunities as well as the dangers of an

expanded Common Market were themes of an address by Mr. Sharp to the Union of Foreign Journalists in Brussels on December 1. Stressing that Canada intended to maintain close political, economic, and social ties with Europe, "not as an anti-American measure but to create a healthy balance of relations within the North Atlantic Community", he added:

Perhaps in the past Canadians have seen the growing Common Market too much in terms of the difficulties and constraints it seems to pose and not enough in terms of the challenges and opportunities it offers. In pursuit of our national aims and interests, we intend to take advantage of this great and growing market, not just as a place where we should wish to sell agricultural products and raw materials from our forests and mines but also as an outlet for our manufactures.⁷³

Nevertheless, tendencies toward market polarization along European-North American lines which conceivably would leave Canada no option save moving totally into the embrace of the U.S. or out into the cold lead the Minister to understate, "Neither prospect delights us." The substance of this speech was reiterated on December 9 in Mr. Sharp's official report to Parliament of his visit.⁷⁴

The Trudeau Government consolidated its 1970 Community-oriented efforts by various activities in March-April, 1971. A further stage in Canada-United Kingdom consultations was reached on March 5 with a visit to Ottawa by Geoffrey Rippon, the Minister responsible for the British side in the Europe negotiations. Mr. Sharp and Mr. Pepin were able at this time to review London's progress toward

Common Market entry and to express, once again, Canadian concern for both the inward looking tendencies of the EC and the likely impact of British association on Canada.⁷⁵

Then, on March 15, a 28-member science and technology mission left for West Germany to explore areas for possible exchanges and cooperation between the two countries, a venture advancing the initiative of a year before.⁷⁶

Mr. Sharp, once more travelling to Europe, as part of the Governor General's April 14-28 state visit of the Netherlands, Belgium, and Luxembourg (Sharp subsequently visited Italy), reaffirmed in the minds of various government officials and the President of the EC Commission Canada's position vis-à-vis the whole enlargement question. An agreement to facilitate technological cooperation was signed with Belgium and a similar arrangement was proposed to Dutch authorities.⁷⁷ Of notable interest were two vaguely contradictory statements by the Minister, one in the Hague where Mr. Sharp told a news conference that Canada was not seeking any special relationship with the Common Market⁷⁸ and a second on April 29 to the House of Commons in which he stated that on his latest visit he had gone a step farther and "urged both the member governments and the Commission of the EEC to give serious consideration to the establishment of procedures for regular consultation with Canada."⁷⁹ This apparent policy confusion, reflecting perhaps Canada's official desire to reduce trade barriers generally yet fearful of the isolating consequences should such efforts fail,

was a precursor of things to come.

Coinciding with the External Affairs Minister's visit was an April 14-22 trip to West Germany by a trade and industrial mission of business representatives headed by Mr. Pepin. The stated purpose of this venture was to make the host country "more aware of Canada both as a supplier of goods and services and as an area for investment" and to gain general experience in the means of penetrating EC markets.⁸⁰ In an address in Bonn on April 19, Mr. Pepin pointed to the fact that more than one-third of the officer strength of the foreign trade commissioner service was now involved with Europe and indicated that this was evidence of Canada's determination to increase its share of the Community market, "a share that is (presently) not at all commensurate with our overall trading capacity."⁸¹

Consultation on the progress of Common Market enlargement continued during a September 14-17 visit to Ottawa by Signor Franco Maria Malfatti, President of the EC Commission. On this occasion, Mr. Trudeau as well as his senior cabinet members participated in the discussions centering around trade relations and international commercial cooperation.⁸² Mr. Sharp again met with the Commission in December while attending Brussels NATO meetings and at this time repeated the idea of establishing some form of "consultative machinery" between Canada and the Community to put relations on a more systematic basis.⁸³ On December 17, British Prime Minister Heath arrived in Ottawa for talks

with Mr. Trudeau and went away feeling that the Canadian Government had shown "very great understanding" of Britain's negotiations with the European Community.⁸⁴

By early 1972, as the "Nixonomic" measures of the summer before became fully perceptible, Europe as counterweight began to assume as much if not more attention as Europe, the potentially dangerous trading bloc, in the eyes of Liberal decision-makers. Speaking to the Women's Canadian Club of Toronto on January 14, Mr. Sharp stressed Canada's continuing political, economic, and cultural need for the EC in light of Washington's recent policies. The fallacy of the proposition that Canadian problems could be sorted out simply by talking them over with the U.S. had been demonstrated, he said, and while the country valued its American relations, "it seeks to enlarge its contacts with the Old World as a means of promoting the unity and uniqueness of Canadian society in North America."⁸⁵ It was significant that in his speech the Minister, by statistically detailing the impressive size of the projected Community of ten, gave it priority over other areas being explored by the Government for economic diversion. Similar weighted emphasis was made by Mr. Pepin in a March 27 address to a joint meeting of the Canadian Export Association and Canadian Manufacturers' Association in Ottawa. Citing as trade incentives the growth of the Western European import market, the revaluation of major European currencies, and increased consumer demand in the region, he remarked that improved

sales performance was necessary to contribute to a wider global distribution of the country's trading interests.⁸⁶

The brief presented by the Minister of Industry, Trade and Commerce to the Senate Committee hearings on the EC (May 23) summed up the evolution of Government thinking and action on the Community question.⁸⁷ Ottawa, it was said, had a more balanced view of the impact of British entry, knowing, among other things, that over one-half of Canada's exports to the U.K. would continue to have duty-free access, that a four to five-year transitional period would allow time to adjust to the new conditions, and that the Common Market had adopted various safeguard provisions for third countries to prevent abrupt dislocation of agricultural trade. Mr. Pepin outlined the Government's efforts over a two-year period, emphasizing that his department had participated in eleven trade fairs in Western Europe in the 1971-72 fiscal year, spending over \$1 million, with good results in terms of on-site and derived sales. A scheme for "risk-sharing incentives" had also been developed for Canadian manufacturers and services industries to improve the country's participation in capital projects abroad.⁸⁸

As to future strategy to meet the objectives of "better access, improved co-operation and a fair balance of advantage with the enlarged community", Mr. Pepin announced that an official mission would be sent to Brussels in June to explore further new consultative arrangements and possibilities of a formal trade agreement.

In summation, the Minister enumerated the trade options open to Ottawa. Since Canada was not a European state, it could not formally join the Community. Associate membership was not likely to be offered. The country could probably join a North American bloc but only to the eventual detriment of political independence. The only acceptable alternative was, in Mr. Pepin's words, "a continued worldwide approach...stepping up our efforts to diversify our trade and throwing all our weight behind the initiative aimed at freer world trade."

Canada's key foreign policy decision-makers, therefore, appeared cognizant of the various external and internal influences advocating closer EC ties. The dangers of U.K. preference loss and accompanying attractiveness of the Community as a market had been accepted. Europe was recognized as an important source of technological diversification. The Government had actively encouraged Canadian business to consider the commercial opportunities open to it in the region. Brussels' relevance to the problems of global trade blocation had received considerable attention. However, the low profile adopted by the Prime Minister in regard to Europe, a stance which continued through the early negotiation period of the link, together with an official hesitancy to embrace the Community for fear of weakening multilateral tariff reducing efforts, cast doubt on just how seriously Ottawa was taking the Common Market. This attitude was to be reflected in the subsequent talks toward establish-

ing the Framework Agreement.

4. Canada's Value to Europe

Mr. Stanfield's 1970 discovery of widespread European indifference to and ignorance of Canada's North American "problem" brings to light two essential considerations. Ottawa, if it was to be successful in negotiating an effective mechanism with the Community to facilitate trade diversion, would have to display formidable persuasive skill in presenting its case. Just how this traditional counterweight challenge was handled by the Trudeau Government will be dealt with in the next chapter. A second, related question, however, may be focused on at this point. What has Canada had to offer in the way of incentive to entice Paris, Brussels, or Rome to play a role in its counterweight aspirations? Any bilateral arrangement requires, after all, that both parties share in its benefits. The fact that the Framework Agreement has been signed indicates that Common Market members feel that the gains to be made are enough to outweigh the reasons for their customary avoidance of developed overseas countries in preferential matters. Two broad attractions presented by Canada - one economic, the other political - have undoubtedly been instrumental in this respect.

A 1971 document published by the European Community Commission entitled, Memorandum Concerning the Overall Objectives of the Iron and Steel Industry of the Common

Market for the Years 1975/1980, stated that the supply of ore being imported from overseas suppliers was insufficient to meet growing needs, a situation due, in part, to Japanese competition. The memorandum noted:

Canadian mines, which operate mainly for export purposes, supply American factories almost exclusively. Considerable work on expanding capacity has been undertaken in the region of Labrador and Quebec. These projects take into account the supply needs created as a result of recent contracts signed with Japan. They also constitute a response to a certain increase in export opportunities to Western Europe.⁸⁹

The Commission suggested Europe adopt a long-term mining investment policy that would take such factors into account. Availability of resource supplies became a more comprehensive concern for the EC following the Paris Summit Conference of October, 1972 where the need "to try and provide a uniform basis for industry throughout the Community" was recognized.⁹⁰ The Commission elaborated in a statement to the Council of Ministers on May 7, 1973 the means by which this "Industrial and Technological Policy" was to be developed. Specifications in favour of sectors facing special problems (industries of advanced technology and industries in difficulty) were a major consideration and the Commission promised to submit proposals on, among other things, nuclear industry, uranium enrichment, and paper.⁹¹ The latter category, examined in a document sent to the Council on April 1, 1974, had particular relevance to Canada. It was deemed advisable that the Nine determine how and how far they could contem-

plate commercial and technical cooperation with certain supply countries in order to provide mutual and reciprocal benefits.⁹² An October 5-19, 1974 visit by EC Commission officials and representatives of European forest-based industries to various Canadian cities indicated that this process was well under way.⁹³ Both these examples illustrate that various Canadian resources have been seen by Europe as offering an attractive complementarity for commercial intercourse.

Claude Julien's 1965 book, Canada: Europe's Last Chance, stressed a broader, political value inherent in Canada's economic riches which complacent Europeans tended dangerously to ignore.⁹⁴ He warned that if the country's great potential was to merge with the power of the United States, equilibrium between the two sides of the Atlantic would be lost as "the Americans will no longer even pretend to treat Europe as an equal." The fact that Canadians tended to disregard the southern threat to their sovereignty when embroiled in linguistic quarrels made such a turn of events all the more likely. It was imperative, Julien thought, to think of the Dominion as "a prime ally, an indispensable partner because of its human, agricultural and industrial resources", in Europe's efforts to avoid being supplanted by the U.S. in Asia, Africa, and Latin America:

Only Europe can prevent the economic absorption of Canada by the United States that would leave Ottawa but a weak political reflection of Washington. Outside Europe Canada is the only Western power able to

maintain the delicate equilibrium that sways from one side of the Atlantic to the other. If Canada's weight falls on the American side of the scale, the balance will be lost forever. If it falls on the European side, then a chance - perhaps the last chance - of maintaining this balance will remain.

The relevance of Julien's remarks to the early 1970's, with the tendency toward trade blocation, the impact of American monetary policies, and the implications underlying U.S.

"Year of Europe" proclamations, appeared not to have diminished.

NOTES - CHAPTER II

- 1 Michael Brecher, Blema Steinburg, and Janice Stein, "A Framework for Research on Foreign Policy Behaviour", The Journal of Conflict Resolution, Vol. XIII, No. 1 (1969), 75-101.
- 2 This is a revised and condensed version of the Brecher model but one more suited to dealing with the topic at hand. Simplifications made by Thordarson in Trudeau and Foreign Policy (chap. I, footnote 74) on the same model are followed although here again liberties have been taken. The category "military capability" (defined by Brecher as "the ability to wage war or deter other states from attacking"), for instance, has been ignored as a decision-making determinant in the Framework Agreement for obvious reasons, and "competing elites" are considered under the general heading "interest groups".
- 3 See Theodore Geiger, "Toward a World of Trade Blocs?", The Atlantic Community Quarterly, Vol. 9, No. 4 (1971-72), 426-37; or Ralf Dahrendorf, "The Common Market, The United States and Japan", The Atlantic Community Quarterly, Vol. 9, No. 1 (1971), 61-67.
- 4 See N. Villeneuve, "Association and preferential agreements in the EEC", Canada Commerce, Vol. 135, No. 12 (1971), 8-10.
- 5 See Carl C. Pederson, "Agreements Create Free Trade Area with EFTA non-applicants", Canada Commerce, Vol. 136, No. 10 (1972), 14-15.
- 6 See Herman Kahn and Max Singer, "Japan and Pacific Asia in the 1970s", Asian Survey, Vol. XI, No. 4 (1971), 399-412. The authors define NOCPA as Burma, Cambodia, Taiwan, Hong Kong, Indonesia, South Korea, Malaysia, Philippines, Singapore, Thailand, South Vietnam, New Zealand and Australia.
- 7 Geiger, op. cit., 428-33.
- 8 Herman Kahn and Anthony J. Wiener, The Year 2000, A Framework for Speculation on the Next Thirty-Five Years (New York: The MacMillan Company, 1967), pp. 255-58.
- 9 The Financial Post, 15 April, 1970, "Canada faced with economic isolation by trade blocs".
- 10 Peter C. Dobell, in an article entitled, "Europe: Canada's last chance?", International Journal, Vol. XXVII,

No. 1 (Winter, 1971-72), 113-14, maintained that for reasons of high levels of immigration and travel, the "intermingling of history", particularly during wartime, and financial clout, especially in terms of equity investment and short-term financing, Europe represented "the one area of the world with which Canada has a range and breadth of relationships which could to some degree serve to offset the weight of the United States". Noting that Canadian-Japanese trade activities were rapidly expanding, the author nevertheless stressed that the figures did not compare to those of a combined Europe. This is not to say that Japan has been dismissed by Ottawa as an alternate source of economic counterweight. In the fall of 1976, a "framework of cooperation" accord closely resembling in content the contractual link was signed in Tokyo by Prime Minister Trudeau (see The Globe and Mail, 22 October, 1976, "Trudeau is told Japan realizes export needs"). Thus, while Europe has held a priority position in Canada's Third Option strategy, its importance has not been exclusive.

- 11 Such a regional division was considered, in the early seventies, a likely short-term probability. See Theodore Geiger, Transatlantic Relations in the Prospect of an Enlarged European Community (London: British-North American Committee, 1970), pp. 54-61.
- 12 The former having approximately 210 million, the latter 250 million, according to the Department of Economic and Social Affairs Statistical Office, Demographic Yearbook 1974 (New York: United Nations, 1975), pp. 128 and 131.
- 13 Statistics derived from G. R. Gough, "Canada's Future Role in the Nine", Canada Commerce, Vol. 136, No. 10 (1972), 2, and in the same issue L. J. Taylor, "The Community as a World Trader", 6-7; from Roy A. Matthews "Britain's Move Into Europe: The Implications for Canada", Behind the Headlines, Vol. XXXI, No. 5-6 (1972), 2; and from Christopher Soames, "Canada and the European Community", Behind the Headlines, Vol. XXXII, No. 6 (1974), 4.
- 14 1972 export figures continued a relatively poor performance trend of Canadian sales to the EC. Analyzing the 1958-70 bilateral trading pattern, Taylor (*ibid.*) noted that while Canada had maintained its share of the Community market (2.6%), that share continued to be composed mainly of agricultural and primary products. As such, the country's exports resembled more those of the developing nations than of a highly industrialized, technically sophisticated one. Canada's growth rate of 1.98% for the period was below the overall growth rate of 2.11% for developing countries, leading Taylor to

deduce that Canada, "less strong in exports of capital goods and high technology products than the United States, Britain or Japan, yet not a source of low-wage-cost goods, falls between these two relatively high-growth areas of exports of manufactured goods to the Community." In 1971, the EC imported finished products worth more than \$10 billion of which Canada's share was only \$180 million, or 1.8%.

- 15 Jean-Luc Pepin, Minister of Industry, Trade and Commerce, for instance, set the figure at almost 70% in a December, 1970 address to the House of Commons. See Canada, Department of External Affairs, Statements and Speeches, No. 70/17, 2. (hereafter Statements and Speeches)
- 16 The Financial Post, 11 July, 1970, "Britain, the EEC - and us".
- 17 Ibid.
- 18 Such as those cited in Geoffrey Elliot, "Enlargement of the EEC", Foreign Trade, Vol. 135, No. 15, (1971), 4; or Matthews, op. cit., 13; or The Financial Post, 13 May, 1972, "It won't hardly hurt when Britain joins (we hope)".
- 19 Matthews, ibid., 13.
- 20 Ibid.
- 21 Taylor, op. cit., 6.
- 22 A scenario by Geiger in Transatlantic Relations in the Prospect of an Enlarged European Community, op. cit., p. 58.
- 23 Miriam Camps, "Sources of Strain in Transatlantic Relations", International Affairs, Vol. 48, No. 4 (1972), especially 571-74.
- 24 From a September 16, 1972 press conference, partially cited in "Dr. Kissinger's Trip to the Soviet Union and Europe", The Atlantic Community Quarterly, Vol. 10, No. 4 (1972-73), 558.
- 25 Senator Gale McGee, "The Atlantic Union Resolution", as cited in The Atlantic Community Quarterly, Vol. 10, No. 4 (1972-73), 541.
- 26 Henry A. Kissinger, "A New Atlantic Charter", reprinted in The Atlantic Community Quarterly, Vol. 11, No. 2 (1973), 155.
- 27 Ibid., 153.

- 28 The perceived economic impact of the Nixon measures on Canada was summarized by The Financial Post, 18 September, 1971, "Why U.S. protectionist sweep causing still deeper worries", and by a 15 April, 1972 special supplement to the same newspaper entitled "The Canada-U.S. 'special relationship': Has an era ended?" The dangers inherent in the DISC scheme were underscored by a fall, 1971 survey of some 138 closed plants in Ontario, well over half of which had been owned by interests outside Canada. These results were pessimistically viewed as a sign of things to come by L.H. Lorrain, General Vice-President of the Canadian Labour Congress, in a speech to the national convention of the AFL-CIO, partially cited in L.H. Lorrain, "Prevailing economic conditions are placing new strains on the relationship between Canadians and Americans", Labour Gazette, Vol. 12, No. 3 (1972), 56-57.
- 29 See Dian Cohen, "Hard Choices for Canada's Economy", Saturday Night, Vol. 86, No. 12 (1971), 19.
- 30 The Globe and Mail, 8 December, 1971, "Treasury Official says U.S. aim is 'reciprocity'".
- 31 In an address to a joint session of the Senate and the House of Commons on May 17, 1961, as cited in Canada, House of Commons. Debates, 24th Parl., 4th Sess., Vol. V (1960-61), 4963. (Hereafter Debates)
- 32 Cited in The Financial Post, 15 April, 1972 (special supplement), "The Canada-U.S. 'special relationship': Has an era ended?"
- 33 Cohen, op. cit., 18.
- 34 "New Strains Between Canada and U.S.", U.S. News and World Report, Vol. LXXI, No. 17 (1971), 58-60.
- 35 The Financial Post, 12 February, 1972, "The Tough Haggling over Canada-U.S. Trade Package".
- 36 Cited in The Financial Post, 15 April, 1972 (special supplement), op. cit.
- 37 According to Clive Baxter of The Financial Post, 19 February, 1972, "Connally in command - or out on a limb?"
- 38 Ibid.
- 39 Cited in The Financial Post, 15 April, 1972 (special supplement), op. cit.
- 40 J.H. Stevens, "Canadian trade policy: a fresh appraisal", Industrial Canada, Vol. 73, No. 3 (1972), 52-53.

- 41 Brecher defines his category "economic capability" as "the total of all material and human resources available to the state for external behaviour."
- 42 Economic Council of Canada, Performance in Perspective (Ottawa: Information Canada, 1971), pp. 13-14.
- 43 Science Council of Canada, Report No. 15, Innovation in a Cold Climate: The Dilemma of Canadian Manufacturing (Ottawa: Information Canada, 1971), p. 22.
- 44 Herb Grey, Foreign Direct Investment in Canada (Ottawa: Information Canada, 1972), p. 452.
- 45 See the symposium of opinion presented under the title "After the Grey Report: An Industrial Strategy for Canada" by The Canadian Forum, Vol. LI, No. 612-13 (1972), 27-64; the excerpts from a December 16, 1971 seminar sponsored by the Industrial Economists' Forum of the CMA partially summarized in "Wanted - An Economic Strategy for Canada", Industrial Canada (January/February, 1972), 11-15; and the Minister of Finance, John N. Turner's April 4, 1972 address to the Canada Club of Toronto entitled, "In Search of a Fresh Canadian Industrial Policy", reprinted in Statements and Speeches, No. 72/8.
- 46 See Harold Crookell, "Toward an Independent Strategy", Cost and Management, Vol. 46, No. 5 (1972), 41-45.
- 47 Ibid., 43.
- 48 An idea suggested by Jeremy Kinsman in "Pursuing the realistic goal of closer Canada-EEC links", International Perspectives (January/February, 1973), 24.
- 49 Economic Council of Canada, "Patterns of Growth", Seventh Annual Review (Ottawa: Queen's Printer, 1970), pp. 82-85.
- 50 Cited in The Globe and Mail, 28 July, 1970, "ECM effect on Canada queried".
- 51 Cited in The Globe and Mail, 7 August, 1970, "Stanfield's discoveries in Europe".
- 52 Cited in ibid. The message of this press conference was repeated by Mr. Stanfield in addresses in Calgary (Sept. 8), Port Carling (Sept. 13), and Halifax (Sept. 14). See "Speeches by Leader of the Opposition on Canada and International Trade", International Canada, Vol. 1, No. 9 (1970), 190-91.

- 53 See Denis Stairs, "Publics and Policy-Makers: The Domestic Environment of Canada's Foreign Policy Community", International Journal, Vol. XXVI, No. 1 (1970-71), 225.
- 54 Canada, House of Commons, Minutes of Proceedings and Evidence of the Standing Committee on External Affairs and National Defense, 28th Parliament, 3rd Sess., No. 17 (March, 1971), 8-12.
- 55 Ibid., 12.
- 56 Canada, House of Commons, Minutes of Proceedings and Evidence of the Standing Committee on External Affairs and National Defense, 28th Parl., 3rd Sess., No. 19 (March, 1971), 5-28.
- 57 Ibid., 8.
- 58 Canada, Senate, Report of the Senate Standing Committee on Foreign Affairs: Canada's Relations with the European Community (Ottawa: Senate Standing Committee on Foreign Affairs, 1973), p. 1.
- 59 Canada, Senate, Proceedings of the Standing Senate Committee on Foreign Affairs, 28th Parl., 4th Sess., No. 4 (1972), 9.
- 60 Ibid., 14.
- 61 Canada, Senate, Report of the Standing Committee on Foreign Affairs..., op. cit.
- 62 Matthews, op. cit., 13-14.
- 63 The Parliamentary Centre was established in 1968 "to assist Members of Parliament and Senators with an interest in international questions in broadening their understanding of Canada's position and problems in the world", according to the government publication External Affairs, Vol. XXI, No. 12 (1969), 446. Stairs, op. cit., 225-27, considers both the Centre and the CIIA as prime channels through which domestic demands on the foreign policy decision-making community are expressed.
- 64 Dobell, op. cit., 132.
- 65 See John Holmes' paper to this conference reproduced in Canada: A Middle-Aged Power (Toronto: McClelland and Stewart, 1976), pp. 147-60.
- 66 Debates, 28th Parl., 2nd Sess., Vol. III (1970), 2802-03.

- 67 Debates, 28th Parl., 2nd Sess., Vol. IV (1970), 3881-82.
- 68 Cited in The Ottawa Citizen, 7 April, 1970, "No isolationism by Canada: Sharp".
- 69 Statements and Speeches, No. 70/7, 2.
- 70 See Canada, Department of Industry, Trade and Commerce, "Notes for an Address by the Honourable Jean-Luc Pepin Minister of Industry, Trade and Commerce, To Canadian Millers Association, Seignior Club, September 10, 1970", Mimeo, 1-12.
- 71 Canada, Office of the Prime Minister, "Canadian Government Consultations on the Enlargement of the European Economic Communities", News Release, No. 28 (September 21, 1970).
- 72 Statements and Speeches, No. 70/17, 1-5.
- 73 Statements and Speeches, No. 70/18, 3.
- 74 Debates, 28th Parl., 3rd Sess., Vol. II (1970), 1879-80.
- 75 The Globe and Mail, 6 March, 1971, "U.K. negotiator briefs Canada on ECM bid".
- 76 Canada, Department of Industry, Trade and Commerce, News Release, 8/71, 1.
- 77 Canada, Department of External Affairs, "Visit by the Secretary of State for External Affairs to Europe", Communiqué, No. 21 (April 6, 1971).
- 78 See "Visit of the Secretary of State for External Affairs", International Canada, Vol. 2, No. 4 (1971), 87.
- 79 Debates, 28th Parl., 3rd Sess., Vol. V (1971), 5339.
- 80 Canada, Department of Industry, Trade and Commerce, News Release, 14/71, 2.
- 81 Canada, Department of Industry, Trade and Commerce, News Release, 18/71, 1.
- 82 Canada, Department of External Affairs, "Visit of the President of the Commission of the European Economic Community", Communiqué, No. 62 (September 9, 1971).
- 83 Debates, 28th Parl., 3rd Sess., Vol. X (1971-72), 10384.
- 84 From a British Information Services transcript, cited in "Visit from Prime Minister of Great Britain", International Canada, Vol. 2, No. 12 (1971), 241.

- 85 Statements and Speeches, No. 72/2, 3-4.
- 86 See Canada, Department of Industry, Trade and Commerce, "Notes for an Address By the Honourable Jean-Luc Pepin Minister of Industry, Trade and Commerce, At the Dinner of the Canadian Export Association/Canadian Manufacturers' Association, Chateau Laurier, Ottawa, March 27, 1972", Mimeo, 1-15.
- 87 See Canada, Senate, Proceedings of the Standing Senate Committee on Foreign Affairs, 28th Parl., 4th Sess., No. 3 (1972), 7-14.
- 88 It was reported in May that the Dept. of Industry, Trade and Commerce was prepared to share as much as 50% of eligible expenditures, to a maximum of \$50,000, with industrial companies for market surveys and for adapting marketing techniques to meet the demands of overseas markets. The Government also agreed to pay half the costs of company participation in trade fairs and permanent trade exhibits where Canada was not otherwise represented. See The Financial Post, 13 May, 1972, "It won't hardly hurt when Britain joins (we hope)".
- 89 Cited in Maurice Torrelli and Kimon Valaskakis, "The Case for a new approach in Canada-EEC relations", International Perspectives (September/October, 1973), 20.
- 90 Cited in "The Community Programme for Industrial and Technological Policy", Bulletin of the European Communities, Vol. 6, No. 5 (1973), 7.
- 91 See "Memorandum from the Commission on the technological and industrial policy programme", Bulletin of the European Communities, Supplement 7/73, 14.
- 92 "Industrial and Technological Policy", Bulletin of the European Communities, Vol. 7, No. 3 (1974), 62-63.
- 93 Clive Baxter, "Canada-EC Relations", European Community, No. 182 (December, 1974), 6.
- 94 Claude Julien, Canada: Europe's Last Chance (Toronto: Macmillan of Canada, 1968), excerpts from pp. 2-3.

Chapter III

"A Bland Bucket of Fog"?: Negotiating the Contractual Link

As the final signing of the Framework Agreement appeared imminent in the summer of 1976, political observers were reiterating a message of confusion and skepticism that had reverberated throughout Ottawa's four-year, Europe-oriented effort in counterweight diplomacy. Identification by elimination had become the accepted means by which the question "What exactly is the contractual link?" was being answered. The Agreement, it was felt, could more easily be defined not for what it would actually provide in terms of trade diversion, but rather for what it was not. The pact would create no new privileges or obligations. It would not be a substitute for the more general GATT negotiations. It would not require changes in legislation or have to be voted on. No increase in direct state involvement in business would result from its implementation. Government officials were quick to retort that such analysis lacked an adequate appreciation for the subtle crafts of diplomacy. To grasp the significance of the link, they contended, it was necessary to understand the context, the process, and the delicate nature of the negotiations which had created the atmosphere and which would provide the conduits essential for future success on concrete issues such as trade.

As a means either of ascertaining the link's projected effectiveness or of determining its inadequacy as

a counterweight vehicle, a knowledge of the negotiation process would seem essential. Certainly problems, both Community inspired and those self-inflicted by Ottawa, have plagued the Trudeau Government's efforts from the start, thus lending support to the notion that the skill traditionally necessary for such foreign policy offensives has been severely lacking. Still, the successful completion of talks does indicate that despite these numerous stumbling blocks, breakthroughs have been made. An analysis of the developments leading to the July signing may be divided into three periods: the laying of the groundwork, roughly from June, 1972 to October, 1974; the initiative of Prime Minister Trudeau from October, 1974 to May, 1975; and the actions taken by the EC from May, 1975 to July, 1976. Before dealing with the process itself, however, a discussion of the particular barriers posed by Community indifference toward Canada is in order. The chapter will conclude with a brief assessment of the Government's performance.

a) Problems Posed by the Community

While certain attributes have caused Canada to be viewed with special interest by the European Community, this is not to say that Ottawa's path to Brussels in search of special commercial understanding has been devoid of obstacles. Indeed, Common Market preoccupation with matters considered more important to its operation, as well as the nature of the EC's institutional structure have made it difficult even

for Canadian voices to be heard, let alone acted upon. To understand the intricacies of the bargaining process and to balance what criticism can be made of the Trudeau approach to Europe, these considerations should be enumerated.

Reflecting on the early stages of the contractual link dialogue, Canada's chief negotiator, Michel Dupuis, recently remarked that "We were in the intolerable position where the EEC was our second-largest trading partner while Canada was at the bottom of its priorities."¹ This comment supported the contention that the Community, at the time of expansion, ranked its concerns thusly: the problems of enlargement in first position, working out associate status for former colonies the next major worry, consolidation of the Community's internal policies ranking third, in fourth place the development of an appropriate posture vis-à-vis Eastern Europe, fifth the United States, sixth New Zealand, and tied with Australia for seventh position, Canada.² This ranking serves to illustrate that Ottawa was being put to a disadvantage on two levels. Along with the U.S., New Zealand, and Australia, Canada received the label of a developed overseas country - or, in the terminology of J.D.B. Miller, an "unassociable"³. As such, it fell outside those areas deemed desirable by the EC for cultivating external relations - largely European, Mediterranean, and Third World countries. The reasons for this discrimination may be drawn from the fact that these latter regions were designed to fit into the structure of Western European trade. The non-

preferential agreements with Argentina, Uruguay, and Brazil, for example, made special reference to meat supplies. The numerous arrangements providing markets for Mediterranean countries were developed because of the proximity and strategic importance of the area. By granting free trade privileges in industrial goods to the EFTA non-applicants, economies of scale were extended to Western Europe as a whole and the delicate financial structure of the Common Agricultural Policy was safeguarded. Trade pacts with India, Bangladesh, and Pakistan to cover jute and cotton textiles, and with Thailand, Indonesia, the Phillipines, and Sri Lanka for handicrafts were concluded despite particular complications arising from rather developed local manufacturing industries. All these countries with EC agreements had economies which were either complementary to, or less efficient than, those of the Community members.⁴

By contrast, the "unassociables" provoked a fear of destructive competition and possessed economies that were generally less compatible with Western Europe's. In any trade negotiation it undertook, the strength of American industry, technology, and agriculture made it a dominant force in the discussions. Like many other participants at international conferences, Washington bargained to promote free trade in areas it felt most secure but fought for protective guarantees on goods perceived to be vulnerable to outside influences. But the fact that these demands were so emphatically stated and involved extensive interests in other

countries made the idea of meeting them in full negotiating order too much for the Community - especially since the pervasive involvement of U.S. investment in Europe would render bilateral talks alarmingly complex.⁵ In the case of Japan, the element of investment was far less significant but the problem of complementarity nevertheless made room for discussions slight. In fact, in areas where Tokyo held a trade advantage, its efficiency was usually so overwhelming that rights of entry granted even to the U.S. were denied.⁶ With Canada, Australia, South Africa, and New Zealand representing competition for the EC in temperate agriculture and with Canada also as a potential competitor in certain manufactures, commercial compatibility was generally lacking. The CAP was built on the assumption that Western European agriculture would provide all or most of the required food for the Community with imports being of only a temporary and/or minimal importance. Similarly, while Brussels recognized the need for certain foreign technologies, it nevertheless felt largely self-sufficient in manufactures and considered itself primarily an exporter. The need to take account of those industries and localities dependent for their smooth operation upon a protected market within the Nine could not be ignored in spite of the acknowledged desirability of free trade.

The European Community, therefore, has tended to view the developed world as constituting an uneasily interdependent whole requiring common rules of association rather

than separate bilateral agreements. This position was reaffirmed at the time of the Trudeau Government's contractual link initiative, with the widely felt trade effects of U.S. protectionism prompting generalized negotiations within the framework of the GATT and the collapse of the Bretton Woods Monetary system encouraging multilateral talks aimed at the reconstruction of an appropriate international structure. There was also recognition that such diverse economic phenomena as aid programmes and the operations of multinational corporations had to have codes of conduct binding on all developed countries.⁷ Combined with the popular assumption in Europe that Canada's aspirations lay within the context of North America - an assumption no doubt based on trade patterns and geographic proximity, this overall attitude made Ottawa's quest for separate commercial consideration a challenge of considerable proportions.

On a second level, priorities within the Common Market were such in the post-1972 period that foreign policy activity, multilateral or otherwise, seemed almost an extravagant luxury. There was firstly the formidable task faced by the European Commission of assimilating the influx of staff provided by the new member states, a task which would transform, amid a good deal of confusion, the very character of the Brussels machine. On top of this, the Commission and the governments of the member states were in a sense marking their own "Year of Europe" by trying to do something about the ambitious agenda of Community policies to which they had

committed themselves at the Paris summit of October, 1972.

These included: the steps necessary to allow the transition to the second stage of Economic and Monetary Union by January 1, 1974, including the establishment by April 1973 of a European Monetary Co-operation Fund, an agreed report by September on the adjustment of short-term financial support, and a report by December on the conditions for the pooling of reserves; a closer co-ordination of national economic policies, notably against inflation; an agreed Community view on the reform of the international monetary system; the establishment by December 31, 1973 of a Community Regional Development Fund to correct "the structural and regional imbalances which might affect the realization of economic and monetary union"; the drawing up during 1973 of a programme of action in social affairs, including the involvement of labour and management in economic policy decisions, the development of a Community programme for employment and vocational training, and the co-ordination of measures of consumer protection; a programme of action in the fields of industry, science, and technology; Community policies on the environment and on energy; the reinforcement and improvement of the EC's institutions and their modes of functioning; and finally, the transformation of the member states' relationships into a "European Union" by 1980, to which vaguely formulated end the Community institutions were to start work on a report for submission to a summit conference scheduled for 1976.⁸ This vastly complicated latter

objective, if it was to be successful, would have to entail not only numerous compromises of vested interests but the negotiation of domestic and international policy orientations of a new and powerful society. James Langley, referring to the EC's hesitancy to institutionalize its relations with the industrialized nations, thought it most understandable that the authorities responsible for this delicate operation "...should want to keep at arm's length those whom it feels most capable of exercising an extraneous and possibly unhelpful influence."⁹

The rather dismal record of the Community's 1973 accomplishments ensured that its internal concerns were to be of continuing importance for some time to come. Partially to blame for the poor performance were complicating issues outside the realm of the Paris Summit, issues which further overshadowed Ottawa's attempts to promote its contractual link. The British Government, for instance, beside guiding the nation into the Common Market, was beset by its own economic problems and the mounting unrest in Northern Ireland. French policy became indecisive as President Pompidou's health declined and his would-be successors scrambled for position. In West Germany and Italy, inflation and labour unrest on unprecedented scales plagued state affairs. Dr. Kissinger's "new Atlantic Charter" proposals demanded a policy position from the Nine while at the same time American detente diplomacy focused European attention on East-West concerns. The Yom Kippur War brought tensions between Washington and

Brussels into the open once again and the ensuing Arab oil boycott provoked an energy crisis that starkly revealed the very real frailties of a united Europe. Questions which at first appeared to be matters of external policy for the EC - the GATT negotiations, for example, on which Brussels had planned to adopt a relatively liberal posture - ran into snags at the state level, pointing out a lack of harmony among the members.¹⁰

Canada's endeavours to effectively communicate with the Common Market were also frustrated by the Community's peculiar institutional structure. In the two key bodies responsible for dealing with foreign policy - the Commission and the Council - the problems of impotence, on the one hand, and inaccessibility, on the other, made it obvious to Ottawa that an EC dialogue was beyond its more familiar state to state experience. (In trade negotiations, the Commission has traditionally been the sole spokesman for the Nine and the authority to which any inquiries have to be initially addressed. While disposed to be helpful, its competence and powers of decision are limited to initiating proposals to the Council. Conversely, the Council of Ministers is elusive - virtually unapproachable by foreign governments - but wields decisive influence by virtue of its power of approval or disapproval of Commission suggestions. Moreover, all nine foreign ministers must express consent before any decision is reached.) The drawbacks of such a system became readily self-evident to the Trudeau administ-

ration during the talks on the link. It has been suggested that the best way for outsiders to proceed under the circumstances is to cast a consultative net as widely as possible, cultivating contacts with the Commission, and with the governments of member states. Useful in this respect is one's own mission in Brussels (which provides backing and continuity for the deliberations of the Council).¹¹ Ottawa seemed to heed this advice in its efforts to overcome the dual constraints of indifference and inaccessibility placed on it by the EC.

b) The Process

1 Laying the Groundwork (June, 1972 - October, 1974)

The mission of senior Industry, Trade and Commerce, External Affairs, and Finance officials sent to the Community in June of 1972 initiated the negotiation process toward the Framework Agreement. In discussions with all the EC members, as well as with Britain, Ireland, and the Common Market Commission, the delegation informally proposed the novel idea that Canada and the Community explore whether a comprehensive trade and economic arrangement, based on the most-favoured-nation principle, could assist in the development of mutual relations. The mission emphasized that what Ottawa had in mind would complement the GATT and other similar channels, not supersede them, thereby facilitating discussion on issues of common interest. These issues, identified in the group's lengthy working document, included the question of state purchasing policies, the long-term

prospects for trade in raw materials, the modernization of agreements dealing with goods in transit, and science and technology related topics.¹² The Canadian suggestion that a joint ministerial-level commission be set up to investigate the possibilities of their idea ran into difficulties as the Community made it clear that it had no authority to nominate one minister to speak on behalf of all nine.¹³ In fact, without established reference points on which proposals could be related to concrete objectives, these initial talks were destined to do little more than introduce each party to the other's position. As the External Affairs minister later pointed out, the meeting served "...to reinforce bilateral relations with the member countries of the Community through creating an appropriate framework linking Canada and the EEC as such."¹⁴ In spite of Ottawa's less than auspicious start on the link, a spokesman for the Commission did claim "great recognition here for Canada's problem and a desire to help as much as possible", a claim which gained substance with the establishment of a separate Canadian section in the Community's external relations division.¹⁵

During the fall of 1972, several events advanced the cause of a Canada-EC connection. The joint communiqué released by the leaders of the Nine following their October 20-21 Paris Summit stated that the Common Market was determined to "maintain a constructive dialogue with the United States of America, Japan, Canada and other industrialized trading partners in an outward-looking spirit and using the

most appropriate forms."¹⁶ The specific mention of Canada as a present and future trading partner was enthusiastically received by the Trudeau administration. Mitchell Sharp thought it was "visible evidence of the success of the campaign of persuasion to which the Government has devoted a good deal of effort in the past two years particularly."¹⁷ Indeed, a breakthrough of sorts had taken place considering that on the opening day of the summit meeting only West German Chancellor Willy Brandt had singled out Canada as among the trading nations with which the Community should organize a regular dialogue. The other leaders, British and French included, had seemed to consider the country as part of "America".¹⁸ The communiqué gave no concrete preference for institutionalized exchanges with the United States which led The Globe and Mail to conclude that the Commission was unlikely to take a vastly different approach with Canada.¹⁹

Mr. Sharp, in announcing that a delegation of senior EC officials was to visit Ottawa for a round of talks in the latter part of November, told the CIIA on November 18 that while he doubted the Community representatives would be in a position to deal with the many issues of concern to Canada, there was nevertheless "no question that the dialogue is well and truly launched....it proceeds from a clear understanding on the part of the EEC Commission and of the EEC governments that the problems posed for Canada by the enlargement and consolidation of the Community merit serious and separate consideration."²⁰ Comments made by Theo Hijzen,

the deputy director-general of external relations for the Common Market, following two days of discussions (Nov. 21-22), confirmed that the Minister was quite right - understanding indeed existed but the intention of doing anything about it did not. While the possibility of a future trade agreement could not be ruled out, Mr. Hijzen told reporters that he was not sure that good relations would best be served by such an arrangement because there was "all kinds of room" to expand trade with Canada as things existed. No plans to establish a formal framework for EC consultations with the United States or Canada was being contemplated, he said, but suggested that Ottawa might conclude a "gentlemen's agreement" for regular discussions with Brussels somewhat along the lines of that already being practiced by Washington.²¹ This Canada agreed to do. To further show the seriousness of its European offensive, the Department of External Affairs announced on December 21 the appointment of James Langley, formally the joint ambassador to Brussels and the EC, to the newly-created post of Canadian Ambassador to the European Communities.²²

The reason for an April 30, 1973 visit to Ottawa by the British Minister responsible for EC Affairs, Mr. John Davies, indicated that the Government's efforts to advertise its position on the enlargement question were having less of an impact than earlier indicated. Before his arrival, the Minister had said that he was anxious to learn Canadian thinking on EC expansion before the multilateral GATT negotiations got under way in the fall: "We know the U.S.

views, we have had doves of them over here, but we don't have that clarity of view about Canadian feelings."²³ As if to improve this state of affairs, Industry, Trade and Commerce Minister Alastair Gillespie travelled to London and Brussels during the first week of May for trade discussions. A departmental release noted that his talks with British officials and members of the Commission would provide an opportunity for reviewing prospects for multilateral trade negotiations and progress in strengthening Canada's trade relations with the enlarged Community.²⁴ Following meetings with Sir Christopher Soames and François Ortoli, President of the EC Commission, Mr. Gillespie told reporters that his conversations on both bilateral relations and the GATT negotiations had left him optimistic and more aware of the immense opportunities for trans-Atlantic trade. He thought that British entry into the Market had helped to "galvanize" many more Canadian businessmen into a realization of the commercial opportunities afforded by the EC. Mr. Soames and Mr. Ortoli, in their statement, emphasized that "the community and the commission attach great importance in maintaining a constructive dialogue with Canada."²⁵

Three meetings simultaneously held in Ottawa during early November, 1973 also fostered closer Canada-EC ties. However, as these events revealed, progress toward a special understanding on trade continued to be painstakingly slow. Claude Lemelin of Le Devoir thought that if the Paris Summit of a year before had been instrumental in helping to remove

the "political" obstacles surrounding Ottawa's efforts to project its distinctiveness to the Community, the talks between a group of Eurocrats and Canadian officials (Nov. 1-2), the meeting of parliamentary representatives from both sides (Nov. 1), and a major CIIA conference (Nov. 1-3) were likely to be viewed as vital in lowering certain "psychological" barriers.²⁶

The high level delegation of Eurocrats, headed by Mr. Soames and including the Commission's Directors General for external affairs, industrial and technical relations, agriculture, and energy, were generally non-committal to the advances of Mr. Trudeau and his senior cabinet colleagues during their discussions. Two of Ottawa's major objectives vis-à-vis Europe were topics of conversation between Messrs. Soames and Sharp, but because the vice-president of the Commission could not commit the Community to them, no agreement for common action was reached. These were a declaration of principles the Canadian Government was seeking to establish with Brussels to govern bilateral economic relations - a declaration that would differ from the one the EC had recently agreed to negotiate with the U.S. - and the still vague idea of a general agreement on cooperation. The talks largely avoided the thorny issue of tariff adjustments and compensation arising from Community enlargement and concentrated instead on more promising aspects of mutual economic concern with fewer roots in the past, notably the energy sector, with special reference to the CANDU system, the

availability of uranium, and the Athabaska tar sands. During a press conference, Mr. Soames said that once the decision by member countries to launch an official dialogue with Canada was taken, relations between EC institutions and Canadian government authorities could be superimposed on those already long maintained bilaterally at the state level. Both parties affirmed, however, that country-to-country ties were to remain the most desirable instruments of rapprochement between Canada and Europe.²⁷

The visit by European Parliamentarians returned the invitation extended by the Senate Foreign Affairs Committee following an earlier March trip to Brussels on matters relating to the Committee's report on the Community. The EC representatives assured members of both the Senate Committee and the House of Commons Committee on External Affairs and National Defence that Canada did not have to go out of its way to demonstrate its distinctiveness in North America. This was self-evident, they said, following their just completed talks in Washington which, in contrast to the reception in Ottawa, had been decidedly cool.²⁸ Following the Parliamentarians' day of discussions, a joint communiqué was issued. All the delegates agreed that a separate Canada-EC dialogue should be maintained and that a declaration of principles be drawn up to regulate mutual relations. It was suggested that regular meetings be organized between the Parliaments of Canada and the Community to promote better understanding and to overcome disagreements. The establish-

ment in Ottawa of an EC delegation including an information office was recommended as a high priority concern. Canada stressed its belief in multilateral tariff reductions and the fear of an inward-looking Europe; the Europeans emphasized that they too stood for freer world trade and were outward looking. It was concluded that methods for cooperative exploration and development of oil reserves in the North Atlantic, Eastern Arctic, and Alberta tar sands could be profitably examined. Both sides recognized the great importance of cooperation in the field of scientific research and technology with the Europeans underscoring their interest in the results of Canada's work in the field of nuclear research. Upgrading industrial raw material before export was seen as valuable to Canada for the purposes of engaging in joint ventures and to the Community as a guarantee for long-term supplies of needed resources. The parties expressed the hope that reciprocal investment projects would increase.²⁹

Speeches made at the "Canada and the European Community" conference sponsored by the CIIA in cooperation with the External Affairs Department and the EC Commission further promoted the conciliatory climate of these early November activities. Christopher Soames' inaugural address³⁰ let it be known that the Commission's firm purpose was to give "serious content" to the "Constructive dialogue" with Canada mentioned at the 1972 Summit. "The imaginative response we have met with from the Canadian side in this pioneering work has been encouraging for us", he said, adding

that the Community viewed Canada as an important trading partner whose approach to international trade liberalization and world development problems was similar to that of the

/EC. Brussels understood Ottawa's desire to assert a distinct national identity and was willing to aid in this cause, but Sir Christopher made it clear that the Common Market should not be seen as some form of alternative to Canada's links with the United States. Rather, Canada and the Community had their own particular and individual relationship to work out. This relationship hopefully would develop with the swapping of technology and expertise, with the opening up of investment and markets in both directions, and with "bold and imaginative scope" in the field of joint industrial ventures. Of note were the vice-president's concluding remarks which stressed the importance of mutual effort in the search for ways of promoting closer trans-Atlantic cooperation:

...I should perhaps emphasize that we are talking here about a two-way process. We in the Community will do our best to develop what I will call our Canadian dimension. In return, we look for equal effort and encouragement on the Canadian side also. We in Europe cannot work single-handed: you must define your relationship with us, as we define ours with you. For both of us, this is perhaps in the last analysis a problem of identity.³¹

Clearly, from the European point of view, Ottawa had failed to explain during the seventeen months following the unveiling of its idea just what exactly it envisioned its special trade link to be or how it was to be made operational.

This failure became particularly apparent on

November 2 in the speech by Mr. Sharp which in content closely resembled the message of June, 1972.³² The Minister expressed the hope that the Conference, the official visit by the Community delegation, and the discussions with the EC parliamentary group would be seen in a wide context as part of the continuing dialogue between Canada and Europe. He emphasized that an expanded relationship with the Common Market was an "essential feature" of the Government's policy to reduce the vulnerability of the Canadian economy and to "preserve and nourish our individuality". At the same time Ottawa was not thinking in terms of substituting Europe for the United States as a trading partner but was merely endeavouring to multiply its exchanges with other countries, maintaining in the process "our vigorous ties with our southern neighbours". Canada's objective, Mr. Sharp said, was to seek with the Community

a long term agreement which would cover the broad range of Canadian/European Community relations and which would complement existing trade arrangements such as those under the aegis of the GATT. Such an agreement, which would provide for regular consultations, might range much more widely to cover fields such as energy, natural resources, investment, industrial cooperation and environment. We realize that the establishment of such a long term arrangement may not be immediately realizable. Nevertheless, we continue to seek to establish a basis upon which such an arrangement can ultimately be made.³³

Almost ironically, the Minister of External Affairs, while noting the attractiveness of a Canada/Community declaration of principles, thought that "the determining factor (in

establishing a link) will be substance - not form". About the only new ground that was broken was Mr. Sharp's invitation to Brussels to reciprocate Canada's earlier action and open a Commission office in Ottawa. Mr. Soames had, however, pointed out on this visit to Canada that while contacts between the Commission and Ottawa were too fortuitous to deny the establishment of an office, such a decision was contingent on the approval of the Council of Ministers.³⁴

It is instructive to note the critical observations made by one seasoned journalist who attended the CIIA conference. Mr. Lemelin felt that the gatherings' failure to spawn a "grand plan", which would give Ottawa-Brussels relations enough momentum to make Mr. Sharp's Third Option seem real, was a major disappointment. The conference was, in his words, "an all-too-faithful reflection of the as yet vague objectives of Canadian diplomacy in Europe". The Liberal Government's posture displayed an unimaginative and erratic quality and in attempting to explain its "asthmatic diplomacy...all they [the participants] could do was wheeze as energetically as possible". As for the performance of the Europeans, the to-be-expected "technical, rather cold, speeches" with little political force were the order of the day.³⁵ It appeared from this assessment that for all the talk, the contractual link initiative was mired in a state of atrophy.

Mr. Sharp and Mr. Soames again met in Brussels during December while attending a meeting of NATO foreign

ministers. After their discussions, Canada's External Affairs Minister announced that Ottawa and the EC had agreed in principle to hold regular consultations on an informal, unstructured basis. It was noted that the Community had not yet evolved sufficiently in political terms to allow an institutional dialogue, such as that which existed between the U.S. and Canada at the cabinet level. Canada still wished to influence the Common Market's policy making decisions and the Minister was hopeful "that we'll be able to establish regular meetings between Sir Christopher Soames and ministers periodically".³⁶ The EC was again urged to establish a delegation in Ottawa to deal with the Canadian public and, Mr. Sharp announced, Mr. Ortolli had been invited to visit the capital some time in 1974. Asked in the House of Commons (December 13) to elaborate on his latest talks, the External Affairs Minister said that suggestions from the Europeans had been received which indicated that they would be prepared to issue a declaration dealing with economic relations. In this Canada was interested and would follow up with discussions.³⁷

By the spring of 1974, however, Ottawa was trying to make it obvious that it wanted more than a mere statement of principles. On April 20, Mr. Sharp issued an aide-memoire to Walter Scheel, the West German foreign minister and presiding president of the EC Council of Ministers, suggesting that Canada's relations with the Common Market be formally underpinned by a trade agreement. This would, in the

document's words, "essentially provide for an exchange of Most-Favoured-Nation treatment in respect to tariff and related charges, and the method of levying such duties and charges". Any exchange agreed to would not go further "than is provided for in existing bilateral agreements between Canada and certain other Member States" and, as a matter of principle, would not affect "the rights and obligations of the two Parties under the General Agreement on Tariffs and Trade, including all the reservations and exceptions contained therein". The Government thought that the arrangement should also contain "a reaffirmation that it is the firm intention of the two Parties to foster the development of long-term commercial and economic relations", and a provision for consultations on matters which might contribute to this end. While the aide-memoire expressed Ottawa's willingness "to consider jointly with the Nine the elaboration of a statement of principles which would define these overall relations [trade and otherwise]", would indicate the direction in which functional cooperation could be developed, and would incorporate an undertaking to enter into negotiations for a trade agreement", these broader concerns were given less emphasis.³⁸

The report was accompanied by a "discussion draft" of the proposed trade pact. Article I stated that Canada and the EC would extend to each other unconditional MFN treatment, consistent with the provisions of the GATT, and any advantages then being granted by either party to a third party. A number of exclusive advantages, however, would not

be covered by the agreement, including those extended by virtue of membership in a customs union or free-trade area, those offered by Canada to countries under the British preferential tariff, and those granted by either party to nations it recognized as qualified to benefit from the generalized preference system authorized by the GATT. The rest of the draft dealt primarily with detailing provisions of most-favoured-nation status and of the GATT, and with the elimination of various non-tariff barriers. It was suggested that the agreement remain in force for a period of five years.³⁹

Both the aide-memoire and draft proposal, while not addressed to the Community as a whole, were subsequently delivered to the other foreign ministers of the member countries. A spokesman for the Canadian high commission in London felt that the Government's initiative had "codified our intentions toward the EEC ahead of the U.S." and that Europe was now more aware of the heterogeneous nature of North American interests. Ottawa's approach, he added, was not to seek an all-embracing agreement but was primarily functional, aimed at finding solutions to commonly held concerns on a problem-to-problem basis.⁴⁰ The reaction in Brussels was reportedly not very enthusiastic. A separate trade pact with Canada, besides encouraging New Zealand and Australia to seek similar arrangements, would represent another irritant to the already poor state of European-American relations. But in any event, it seemed that the

submissions were somewhat perplexing, and to grasp what exactly was being requested, the EC felt it could do little but await further clarification from Canada on its latest proposal.⁴¹

Clarification indeed became an urgent matter for Ottawa following the Community's supplementary June offer of global trade concessions, extended under Article 24(6) of the GATT to compensate countries affected by enlargement. The concessions were welcomed in Washington but rejected by the Trudeau Government as unsatisfactory, primarily for reasons relating to continued restrictive access for cereals and grains.⁴² Because the Common Market considered the latest offer final and one which would be incorporated into new trade and tariff rates effective January 1, 1975, Ottawa was obliged to renew its efforts toward a commercial understanding with vigour and expedience.

An "official communication" submitted to the Political Coordination Committee of the Nine by a senior Canadian official in New York on September 26 was part of this effort. In an attempt to situate the aide-memoire in the broader perspective of the country's foreign policy, it was stated that Canada's actions were "designed among other things to establish a certain balance in our external relationships and to enhance Canada's independence and to reduce Canada's vulnerability through the diversification of our external interests, notably our external economic interests". Since Europe was viewed as occupying "a place

of first importance" in the pursuit of this policy, the Government had for some time been "strengthening and adding substance to our relations with Europe in as many fields of mutual interest as possible". Ottawa believed "that Canada/Community relations should be seen in a dynamic context which will take account of the Community's own development", and that there was much to be said "for a relationship which allows for close contact in a situation where we are both in the process of developing basic economic and other policies which will be guidelines for our activities over the next decade or so". A further Canadian aim was "to differentiate the nature and needs of Canada from those of the United States" and the aide-memoire had been "a serious attempt on our part to move towards a clearer understanding of the particular interests shared by Canada and the Community". The April 20 announcement had proposed the negotiation of a trade agreement because that "seemed to us to be the most direct and uncomplicated form of contractual relationship since it would be clearly within the existing competence of the Commission". A willingness to draw up a declaration of principles was also indicated as the first part of a "two-pronged suggestion - the development in the short-term of a framework statement and the development over a longer time period of practical expressions of that relationship in a contractual form". Since then, the September 26 communication said, the Government had begun to think less in terms of two different time frames and more of the development of

relations on a continuum. A statement of principles seemed of secondary importance because "in a sense that...already exists". What was vital now was to maintain the momentum already created by developing "a greater degree of focus in future discussions" and thereby "move into a new phase of our dialogue".

In summary, the communication asked the Committee of Nine to give answers to three specific questions: could the aide-memoire be used as a point of departure, "as a workable framework in which to situate Canada/Community relations"; could the next step be to work towards a contractual instrument in the form of "an agreement dealing with a broad range of such commercial policy issues as can be agreed between us in the course of the negotiations"; and was the EC prepared to support the opening of talks on such an instrument between Ottawa and the competent Community institutions?⁴³

Brussels' official response to the aide-memoire came in the form of a September 12 Commission memorandum to the Council. Not surprisingly, the Canadian proposals were dismissed as inadequate. But the manner in which this was done served to nudge the Council toward a broader vision of the proposed trans-Atlantic relationship - one which implied an expanded foreign policy competence for the Community. Since, the Commission argued, Canada was the first of the advanced industrialized countries to seek such a bilateral trade agreement, and because relations with such countries were necessarily more complex than those with Third World

states, the Canadian agreement "would need to be of a new and different kind". Ottawa's proposals did not meet this requirement and were "silent on a wide range of economic issues which are of increasing concern to both parties, such as guarantees of access to supplies of raw materials and energy, the encouragement of mutual investment and the promotion of industrial and technological cooperation."⁴⁴

The Commission then set out three options for the EC, either to accept the Canadian concept it had just criticized, to delay until some future date, or to explore with Canada a new type of agreement for cooperation "extending well beyond the field of classical trade policy...." If, as the Commission naturally recommended, this last option were chosen, it would necessitate the Council's taking "a more dynamic view of Community competence than has been adopted hitherto".⁴⁵ Clearly, an effort was being made to overcome Ottawa's ambiguous overtures and to elevate the discussion onto a new plane.

In a July television interview, Mr. Sharp publicly declared that the time was ripe for the Prime Minister to become seriously involved in the Europe issue, possibly by travelling to the continent and discussing trade relations personally.⁴⁶ This would most certainly inject a renewed sense of purpose in the whole contractual link affair. Mr. Trudeau had himself mentioned this course of action earlier during an April trip to France on the occasion of President Pompidou's funeral. Such a visit, he felt then, should

involve a minimum of rhetoric and take place only "when they are ready and when we are ready to talk business".⁴⁷ Thus, it was with a certain amount of expectation that the news of the Prime Minister's October tour of the EC, his first there in an official capacity,⁴⁸ was received.

2 The Trudeau Initiative (October, 1974-May, 1975)

The problems involved, as well as the opportunities to be gained in negotiating a commercial counterweight were never more evident than during Mr. Trudeau's three excursions to the Community between October 1974 and May 1975. On each of these occasions the subjects of conversation were similar. Bilateral ties were reaffirmed, new economic possibilities explored, and attempts were made to gain member-state support for a comprehensive EC trade agreement. Ottawa's inadequate representations on behalf of this latter objective frequently resulted in disappointment, but outright rejection never occurred thanks largely to the work of the Commission. Resembling increasingly the partner in a tacit coalition with the Canadian Government, this body brought to the fore the urgency of the energy and raw materials question for Europe, while tirelessly continuing to play down the threat of the proposed link either to established bilateral ties or to the existing allotment of foreign policy competence in the Community.

The October 21-25 visit to France and Belgium, though successful in some respects, still left a lot to be desired.

It began with high level discussions in Paris (Oct. 21-22) which were widely interpreted as both a definite symbol of Franco-Canadian reconciliation (after several years of troubled relations) and a necessary step in establishing more extensive and institutionalized connections with the EC.⁴⁹

At a dinner given by President Giscard d'Estaing, Mr. Trudeau said that bilateral ties existed not only in the realm of history, language, and culture, but also in "the parallelism between our foreign policy and that of France, which like us wishes to re-establish a balance in its relations by diversifying them in order to achieve legitimate independence." The Prime Minister's Third Option message was again stressed to French leaders in private talks.⁵⁰ For their part, the French were said to have been most interested in "the systematic exploitation of Canada's vast energy resources", particularly in relation to uranium sales. According to Time, the Canadian delegation was surprised by France's desire for a fast agreement in this field and Mr. Trudeau, while expressing optimism that something could be worked out within the context of prescribed nuclear safeguards, nevertheless felt that Paris was "even more vigorous than we are" in its approach to the question.

Following the meetings, it was announced that the two countries had agreed to enlarge their trade considerably in 1975 and to help bring this about, two joint task forces were to be created to identify areas of cooperation. One group would concentrate on examining trade and technological

potential in industrial sectors, notably the transportation industry. The work of these two bodies was to be concluded in time to report to the Canada-France Joint Economic Committee's next meeting scheduled for Ottawa in the first half of 1975.

Speaking to the House of Commons on October 28, Mr. Trudeau said the talks with the French recognized "that the ultimate success of the work to be undertaken rested largely with private enterprise and that special efforts should be made to bring together French and Canadian businessmen in the coming months". Accordingly, the Minister of Industry, Trade and Commerce had been instructed to lead an official trade mission of businessmen to France in 1975. The Prime Minister also revealed that as an indication of the importance attached to the creation of the two working groups, it had been agreed that the next meeting of the Joint Economic Committee would, for the first time, take place at the ministerial level.⁵¹

During the Paris discussions, Canada's desire for a special trade pact with the EC was outlined and Mr. Trudeau expressed the hope that France would help open Common Market doors for Ottawa to realize this goal. In the search for a U.S. counterweight, "Europe, with which we have historical, cultural and economic links, is an ideal partner" and France was particularly important because it was in the vanguard of social, economic, and cultural progress on the continent. President Giscard d'Estaing and Premier Jacques Chirac

encouraged the Prime Minister to put his arguments to the Commission in Brussels but emphasized that the matter was a Community concern to be decided by the member-states at large. This less-than-enthusiastic response by the French leaders foreshadowed the results of Mr. Trudeau's talks with Commission officials.

In other developments, it was announced that Canada would open a consulate-general in Strasbourg. Prime Minister Trudeau thought that the new establishment would assist Canadian commercial, cultural, information, and immigration programmes and enhance existing links between the Parliaments of Canada and the Council of Europe. French officials were also informed of Ottawa's desire to become associated, with the full participation of Québec, in the Franco-German experimental satellite project known as "Symphonie". Canada was interested in this venture, not only in terms of bilateral relations, but also in the context of the French-speaking community which Mr. Trudeau stressed was a consistent feature of his country's approach to Paris. At the end of the Prime Minister's visit, President Giscard d'Estaing and Premier Chirac both accepted invitations to come to Ottawa, although no dates were set.

Talks with the leaders of Belgium and Luxembourg and with officials of the EC and NATO highlighted the Trudeau stay in Brussels (Oct. 23, 24).⁵² The Prime Minister commented that after meeting Messrs. Tindemans and Thorn he found "an intensity of purpose...to build on the warm

relations now existing with Canada, to intensify the contacts and exchanges now pursued, to support Canadian initiatives with the European community, to cooperate in multilateral sectors". More specifically, this meant an agreement with Belgium to strengthen scientific and cultural exchanges and to augment trade and investment; a common understanding by the three heads of government on a broad range of issues, including the dangers of nuclear proliferation and the world economic crisis; a positive acceptance for Ottawa's counter-weight objectives from Prime Minister Tindemans, who said that Belgium "supports Canada in its efforts to obtain a contractual link" and wanted "to help the Canadian state in the negotiations with the common market"; and a reaffirmation of the common French heritage shared by Canada and Belgium.

The outcome of Mr. Trudeau's discussions with EC Commission officials was largely predetermined by an earlier October 15 meeting of the Council of Ministers.⁵³ At the insistence of the French Government, the Council had instructed the Commission to express to the Prime Minister a willingness to strengthen mutual relations but not to involve the Common Market any further. Paris argued, logically enough, that the Community could not very well commit itself to negotiate a formal accord whose parameters and intentions were not altogether clear. Other member-states apparently had been equally as reluctant, voicing concern over the precedent being created, and expressing strong reservations about the expansion of the EC's limited powers

in the field of economic cooperation as implied by the Commission's September 12 proposals.⁵⁴ Thus, while Mr. Soames and Mr. Ortoli introduced their new version of the contractual link to the Canadians, and the latter played their raw material card (while insisting that a classic raw material-for-manufactures exchange was not intended), there were few surprises when Mr. Trudeau announced that no firm agreement had been reached. "We have decided to intensify our discussions and amplify them and it is to be done in ways that have to be negotiated" was the way he put it.

This lack of success was not solely a function of the Council's October 15 decision. Prime Minister Trudeau himself admitted afterwards that the Europeans found his own commercial link presentation so lacking in substance as to be banal. Nevertheless, in the face of essentially constitutional and procedural arguments having little to do with the merits of Ottawa's case as such, even the most skilful effort would probably have come to nought. Despite behind the scene consultations by Canadian diplomats in the national capitals, despite the Commission's attempts to reassure Washington that nothing discriminatory was being contemplated and the member-states that any expansion of powers depended on the evolution of the Community which only they could determine, the political ground still had not been cleared. For underlying the arguments given were British fears about potential damage to European-American relations, the vestiges of earlier French attitudes toward Ottawa and Quebec (and there

was a uranium enrichment deal between Paris and Quebec City (in the works), and the traditional resistance of Britain and France to anything threatening to augment the Commission's weight in international affairs.⁵⁵

In the press conference at the conclusion of his trip, Mr. Trudeau emphasized that his Government, like the Commission, did not see the proposed relationship as superseding or challenging existing bilateral ties and that the link could in any case only develop broader substantive content to the extent that the EC became more integrated in the future. He also referred once again to the question of raw materials and energy. His invitation to the Europeans to keep in touch with Ottawa as its new policies in this field unfolded was a reminder both that the old assumptions about Canada's willingness to export unlimited amounts of such commodities were no longer valid and that, nevertheless, this country could become one of the more reliable suppliers of the Community's rapidly expanding needs.⁵⁶

This latter point was one which the Commission fully supported. Indeed, on the same day as Mr. Trudeau's press conference, it was proposing the development of an overall Community strategy for the procurement of raw material supplies and the establishment of an interdepartmental group within the Commission to oversee such a strategy.⁵⁷ (Early in the new year, the Commission sent a memorandum to the Council underlining Europe's dependence on increasingly uncertain outside supplies and suggesting as one solution

joint ventures and other forms of cooperation with advanced industrialized countries like Canada⁵⁸.) Thus the Commission's tactics, like Ottawa's, were to demonstrate to the member-states the connection between the proposed contractual arrangement and the solution of certain pressing policy problems.

Mr. Trudeau's October 28 parliamentary report prompted the opposition parties to express what appeared to be the deficiencies of his trip. Mr. Stanfield argued that "it was unfortunate our general presentation, particularly that concerning the European Common Market, was not as thoroughly prepared as it might have been". While he had not expected the Prime Minister to return with the "Holy Grail", the Conservative leader nevertheless felt the confusion surrounding both the Government's objectives and its reciprocal offers was avoidable. The administration had had ample time before the visit to spot, criticize, and overcome the weakness in its presentation. In the absence of an unequivocal explanation of its goals, the Liberal attitude toward the EC appeared to be one of "posturing". Speaking for the New Democratic Party, Mr. Tommy Douglas also wondered what proposals Mr. Trudeau had made to the Community. Was he seeking a trade agreement or associate membership? His prime concern was with the possibility that Canada's resources would be bargained away in negotiations. Citing the country's past U.S. experience, Mr. Douglas said that for Ottawa to infer to the EC that it is "in a position to invite other

countries to come in and share in the development of our petroleum, gas, coal and nuclear fuels will...start a trend for which future generations will pay dearly".⁵⁹

In spite of the criticism, the Prime Minister's first European visit did register some noteworthy accomplishments. It was announced that a full Common Market delegation office would be opened in Ottawa in 1975 and that exchanges between parliamentarians from both sides were to be institutionalized, to take place once a year. John Halstead also pointed out the future spin-off effects likely to result from the state to state discussions, the awareness instilled in the Community of the seriousness with which Canada was seeking to escape its geographic constraints, and the increased reserves of good will obtained from both the European leaders and the general public.⁶⁰

Between the October visit and Mr. Trudeau's second trip to the Community in February/March 1975, Canada's contractual wishes were expressed to the Europeans via quiet, yet concerted diplomatic efforts by Canadian officials in all the national capitals. At the same time, a high profile tactic provoking mild confrontation was launched as Ottawa renewed its show of dissatisfaction over the terms of post-enlargement tariff compensation. Barely two weeks after the Prime Minister's frustrating experience in Brussels, the Government formally proposed to the November 8 GATT Council meeting in Geneva that an independent panel of that organization be set up to investigate its commercial claims against

the Community. But existing transatlantic economic ties were not to be sacrificed for a pressure strategy drawn to its logical conclusion. Also sought was an extension of the six-month, GATT imposed negotiation period beyond which Canada would be entitled to take retaliatory measures on trade concessions previously granted EC member states.⁶¹ At the Council's November 29 session, which considered the requests, Ottawa and Brussels were still at an impasse, despite having had consultations in the interim. It was proposed that the panel idea be postponed until both sides talked further, and a two-month respite of the December 31 reprisal deadline was suggested.⁶²

At a mid-December meeting with Mr. Soames in Brussels, External Affairs Minister Allan MacEachen failed to win any Common Market commitments,⁶³ but on December 19 the Community did agree to prolong Canada's time limit for responding to its new tariff schedule to February 28, 1975. This would enhance the possibility of arriving at a settlement, especially in regard to the entry of Canadian wheat and barley, and so avoid what the press called a trade war.⁶⁴ Access for a second commodity type was also particularly worrisome to Ottawa. A January 22 speech by the Minister of Agriculture to the annual meeting of the Dairy Farmers of Canada made it clear that restrictions on Canadian cheese exports were highly resented. Referring to the stiff February 1, 1973 duty levied by the EC against cheddar sales to the British market and lamenting the import advantages enjoyed by

Community cheese in the country, Mr. Whelan warned that "This is not going to go on much longer".⁶⁵ As late as February 17, 1975, Brussels reportedly was still unwilling to expand on its earlier July 28 offer in cereals, but some encouraging concessions were being predicted for cheese.⁶⁶

The arrival of the Prime Minister on the second leg of his counterweight crusade of European capitals coincided with the resolution of the tariff compensation issue. On February 28, a new trade package ensuring more liberalized terms of access for Canadian cheddar exports to the U.K. was reached, and both Brussels and Ottawa agreed to disagree on their respective positions in regard to grain duties while consenting to continue the search for an amicable solution.⁶⁷ That Mr. Trudeau's personal involvement in the Community at this time prompted the settlement was almost certain. That his two-week (Feb. 27-Mar. 15), five nation tour would produce major results as far as the Framework Agreement was concerned was much less predictable.

Foreign and domestic comment just prior to the second visit suggested the Government had learned little from its disappointing October performance. Diplomatic sources in The Hague, Bonn, Rome, London, and Dublin were expressing puzzlement over what form of agreement Canada was seeking and saying that they were no closer to understanding this conundrum than they were five months earlier.⁶⁸ Canadian editorial opinion, frank in both criticism and advice, reflected this state of affairs. The Halifax Chronicle Herald thought that

...Canada must set out more precisely what it wants. As things stand Canadians haven't the faintest idea what their Government is seeking and is willing to offer. In such circumstances the bewilderment of the Europeans is understandable.⁶⁹

A statement made by the Prime Minister in an interview shortly before embarking for Europe was the subject of an Ottawa Journal attack. Mr. Trudeau had said:

When the European community begins looking outwards in the kinds of relations it wants to establish with other parts of the world, it is important that it realizes that Canada has a lot to offer in terms of its resources, in terms of its political stability, in terms of its advanced technology, and we want to be perceived as very distinct from the Americans.⁷⁰

Many Canadians, the editorial felt, were uncomfortable about the vagueness of the sought-after contract, especially in the light of the incentives Ottawa was offering. Resources were obviously the main attraction while trade in sophisticated manufactures was less important. The raison d'être for this foreign policy exercise was justified but the means by which it apparently was to be brought about "heightens the need for specifics - specifics told to Canadians first".⁷¹ But it appeared that the Liberal leader's latest sojourn would ignore all the advice and fall victim to the shortcomings experienced earlier. A senior Government bureaucrat involved in the talks said of the second trip: "We're not going over with any initiatives in our bag and we don't want to create expectations of anything specific."⁷²

The Netherlands - Mr. Trudeau's first port of call (Feb. 27-28), provided Ottawa with assurances of support for

the concept of a framework agreement and opened up significant possibilities in the way of state to state exchanges.⁷³

Drawing on Dutch fears of West German economic domination as an analogy to Canada's predicament, the Prime Minister conveyed what was meant by the Third Option and explained the need for an effective counterweight. Canada was not after regular membership in the Community, he stressed, but was seeking some form of contractual link which might in itself prove to be little more than a device to gain a foothold in the EC door. In a general way and in the spirit of an outward-looking Europe, the Dutch head of state, Mr. Joop den Uyl, said his country would back Ottawa's bid for a strong, long-term arrangement with the Common Market, although he qualified this by denying endorsement for any form of "special relationship" status.

Officials in The Hague were most anxious to learn more of the Canadian Government's plans for a foreign investment policy. The agencies responsible for science, finance, and energy, in particular, expressed interest in Canada as an area for economic expansion, if and when the anticipated dollar-generating North Sea oil discoveries were realized. But Ottawa's talk of screening industrial takeovers and the howls from oil companies about governmental profit-controlling taxation in the western provinces were creating uncertainty. Prime Minister Trudeau assured his audiences that outside investment was indeed welcomed under the sole condition that such inflows were judged to be beneficial to his country.

This judgment would be based on the potential improvement envisaged for Canadian technology, the job creation involved, the increase in overseas trade, and/or the amount of raw material upgrading carried out before export. The two leaders discussed the Athabaska tar sands and the interest once expressed by Shell Oil in the venture, with The Hague strongly hinting that had Ottawa softened its position on foreign investment, withdrawal from the consortium financing the project probably would not have taken place. If Mr. Trudeau's assurances were convincing, it was considered quite possible that Shell's operations off Canada's east coast would intensify.

The Prime Minister also pushed the merits of the CANDU reactor system to Mr. den Uyl and it was agreed to convene a meeting of officials to discuss it and the Dutch-British-West German nuclear power programme. Canada was, in turn, asked about enriched uranium sales to the EC, a possibility already being explored by France and Quebec. While expressing an open mind on this matter, the Government was less than enthusiastic, admitting prejudice against enrichment in favour of the CANDU system and regarding such sales as a poor use of national resources. Mr. Trudeau later remarked that his country was "not interested in enriching Europe in general or France in particular", but in "seeing what benefits there could be for Canada in general and Quebec in particular out of such an operation". The bilateral discussions concluded with an agreement to pursue the

intensification of commercial contacts by assembling negotiators within the upcoming months in Ottawa.

Travelling to West Germany (Feb. 28-Mar. 4), Prime Minister Trudeau held talks on March 3-4 with, among others, Chancellor Helmut Schmidt, President Scheel, Economic Affairs Minister Friderichs, and Foreign Minister/Vice-Chancellor Hans-Dietrich Genscher.⁷⁴ The support shown by the Bonn Government for the framework accord appeared to find its roots in diplomatic protocol rather than practical politics. At an official luncheon given in his guest's honour, Mr. Genscher's endorsement was unmistakable: "We know and esteem Canada as a partner from our bilateral experiences and we seek to introduce these experiences into the European Economic Community." But, as subsequent press conference statements revealed, German approval was tempered by reservations. Deputy Government spokesman Arnim Grunewald implied on March 4 that Canada's Foreign Investment Review Agency could impede the establishment of the contractual link. The philosophy of commerce in Germany rested on the free flow of capital, he said, and "when any country has legislation which limits investment, our industry tends to hesitate to invest there." A treaty establishing a link with Ottawa required the unanimous ratification of the Council of Ministers, and it was pointed out that Bonn's policy favouring free trade would be reflected in that decision. In any event, even though Germany strongly supported the Canadian initiative, it was not really important that the

agreement take the form of a contract. A great volume of trade and other exchanges could occur within the channels already provided and nothing guaranteed that a contract itself would increase commercial activity. As another European official explained:

If Canadian exporters do something to ship some of their better products from the American market into Europe there won't be much need for a trade agreement because we will be buying anyway. If Canadians don't think it worth their while to push European sales, as now frequently seems to be the case, even the strongest agreement in the world won't help them.

Touching on the delicacy of relations among EC member countries, the deputy spokesman cautioned that defining the link publicly could make things difficult for the Council of Ministers at Brussels. On this count Mr. Trudeau had no need to worry. An interesting footnote to Ottawa's request in Bonn for institutionalized trade recognition was the Prime Minister's guarantee to German leaders that Canada "had made a firm decision of staying within NATO and of participating in the most efficient way" because "...we feel that it is important in terms of our third option, in terms of finding counter-weights in the world, to our economic and political proximity to the United States". Government policy on this issue had apparently come full circle in less than five years.

The two sides also strengthened their bilateral ties with a rather vague commitment to explore ways of intensifying trade in energy and by the signing of a pact on cultural cooperation. This latter agreement, which provided for

academic exchanges, greater contact in the fields of publishing, libraries, and museums, the intercourse of sport and youth organizations, and the augmentation of performances by artists and ensembles in one another's country, was particularly comprehensive. Progress on the exchanges would be monitored periodically and recommendations made for their further development.

Italian Premier Aldo Moro responded positively to Ottawa's contractual inquiries soon after Mr. Trudeau arrived from Germany on March 5 for a five-day stopover in Rome.⁷⁵ With Italy traditionally a strong supporter of EC collaboration with other countries, and his guest's nation a long time proponent of larger forms of international cooperation, Mr. Moro was convinced that "this coincidence of orientations shall be conducive to more significant developments, both on the plane of bilateral relations as well as on that of the relations between Canada and the European community". As he was required to do elsewhere on the continent, the Prime Minister went to some length to explain to the Premier that forging links with the Common Market had no anti-U.S. intent. "The Canadian position is not one of opposition to the United States, who will always remain our best friends...but [one] of opening doors or opening them wider with the countries of Europe and Asia." Washington had requested clarification from Ottawa on its actions but had not applied any pressure to counter the diversification policy, he said.

The two leaders spent most of their time discussing

existing bilateral irritants, notably those pertaining to immigration, the portability of social security benefits, and the question of double taxation. Rome showed great interest in the purchase of Canadian uranium and CANDU reactors, but was told that ratification of the Non-Proliferation Treaty and compliance with national safeguards were prerequisites. Both countries agreed to seek ways of cooperating in joint industrial ventures and the Italians accepted an invitation to send a mission to Canada for this purpose later in the year. Premier Moro also agreed to visit Ottawa at a convenient future date.

The bolstering of state to state trade opportunities and some further attempts at defining the contractual link were the most significant features of the Trudeau trip to Britain (Mar. 11-13).⁷⁶ While Harold Wilson pledged his country's support for the objectives of the Framework Agreement, approval could only be considered hypothetical pending the result of a June referendum determining the U.K.'s continued membership in the Community. In the sole instance on the tour when a direct explanation of the link was officially demanded, British Foreign Secretary James Callaghan went away dissatisfied as his requests for specifics were frustrated by the all too familiar reliance on generalities. The Canadian leader, in fact, was constantly queried by the press in London to expand on the concept's meaning and his replies reflected a continued disregard for definitional rigour:

...we mean a link, an obligation to consult, to not willfully harm, to develop cooperatively initiatives in the economic sphere.... When we say contractual link, we don't content ourselves with the mere declaration of good intentions. We want it to be an agreement binding on both sides. We want the contract or agreement to put the European Community in a position where it would be talking to Canada, consulting with Canada as it evolves towards new forms of economic integration. This means much more than just trade relationship, this means questions of investment, of industrial development, questions of technological exchanges and so on.

The same hollow message, in a more polished form, was presented in a keynote address at the Mansion House on March 13:

.../the purpose/ is to create a mechanism that will provide the means (i.e., the "link") and the obligation (i.e., "contractual") to consult and confer, and to do so with materials sufficiently pliable and elastic to permit the mechanism to adapt in future years to accomodate whatever jurisdiction the European Community from time to time assumes.⁷⁷

If the overall form of Ottawa's counterweight policy remained enigmatic to some, the trade undertakings agreed to by Canada and Britain were more practically straightforward. The two sides decided to engage in consultations later on in the year to find ways of increasing commercial cooperation. Any progress eventually achieved through this initiative would be monitored by the newly reactivated Canada-United Kingdom continuing committee. Among the sectors to be examined were the coal and nuclear industries, with Ottawa showing particular interest in collaborating on the British

steam-generated, heavy water reactor system, and London in purchasing Canadian uranium and heavy water. In addition, to further encourage businessmen to explore the possibility of greater exchanges, a meeting of the Canada-United Kingdom Chamber of Commerce was scheduled for later in the spring. Mr. Trudeau explained that he was urging these contacts on Whitehall because his Government was in the process of reformulating several of its key policies, namely foreign investment and ownership, and industrial development. Just as Canada wanted to deal with the EC before it had crystallized its various positions, "we find it important that as a trading partner the British have as many exchanges with us as possible before our policies are too far down the road."

The last stop on the Prime Minister's second trip to the Common Market was Ireland (Mar. 14-15) where once again approval was won for the proposed treaty of cooperation.⁷⁸ Mr. Liam Cosgrave, whose country was acting chairman of the Council of Ministers for 1975, remarked: "We would hope that we can jointly devise a form of relationship which will satisfactorily express the community's recognition of the separate interests and identity of Canada." Mr. Trudeau was reportedly frustrated at a March 15 Dublin news conference when, asked again to reveal the actual substance of the projected agreement, he admitted, "We don't know exactly what the contractual link will say." On bilateral matters, the two delegations agreed to have their officials explore possible avenues for increasing trade, with the Irish ready

to promote cheese and whisky and the Canadians offering machinery and equipment for offshore development, and nuclear technology.

Assessments of the Government's latest European venture were generally pessimistic.⁷⁹ The press emphasized the weakness of the contractual link's newly acquired "support in principle" status which, according to diplomatic sources, made an early conclusion to any agreement highly unlikely. Countries visited had merely endorsed the idea that serious talks would begin once the respective bureaucracies had reached a consensus outlining what was to be negotiated. The whole process culminating in a final signing could extend over a two or three year period. Cynical European observers felt that Mr. Trudeau had merely engaged his hosts in semantics for domestic political reasons and by doing so had freed the Community governments to pledge what would ultimately be meaningless support. The less skeptical were appreciative of the Prime Minister's desire to synchronize his country's relations with the world's largest import bloc, but warned of the likely disappointment emanating from decisions taken by the Council of Ministers on the matter. Several newspaper articles identified the promotion of a distinct, less dependent North American role for Canada to a region well aware of its vital U.S. economic and military reliance as a major stumbling block to success. A senior German governmental aide was quoted in this respect as saying that "...one thing is fairly certain...the federal republic

is unlikely to negotiate or support anything that might be construed as harmful to our excellent relations with the United States".

A major complaint of the February/March trip centred around the fact that no one from Ottawa or the EC knew what the contractual link really was. According to the Ottawa Journal, Mr. Trudeau "gives the impression more of a man groping, fishing around, trying to come up with something, than of someone with a definite plan in mind."⁸⁰ Moreover, the Europeans were surprised that such a high level approach should have been made at what was seen as a very early stage of the link's development. It was, as one observer put it, "a bit like using a sledgehammer to kill a fly."⁸¹ The Toronto Star referred to the Prime Minister's failure to heed Richard Nixon's axiom that a leader should never attend a summit unless he knows beforehand that there will be something to bring home.⁸² Another editorial echoed this apparent faux pas by asking: "Why does the prime minister get so carried away when he hits the international diplomatic trail? It hardly enhances the country's bargaining position when its leader seems so pleased with so little in the way of tangible results."⁸³

One of the few favourably inclined analyses and perhaps the most perceptive was that made by George Radwanski of the Montreal Gazette.⁸⁴ The trip, he said, appeared to have been both worthwhile and successful within its limited objectives. Mr. Trudeau had never in fact intended to relay

specifics of his plan to European leaders because the real negotiations were already underway at the Commission level. He had merely wanted to explain personally what Canada was trying to accomplish, establish whether there were any reservations at the level of principle, and seek out pointers that might be offered on how to procede. And far from being in any way novel or perplexing, the message advanced was exactly the one prescribed by the Senate Committee's report on the EC. The report's recommendation that a joint body composed of ministers and officials be established (to "provide the means, i.e. the link") and instituted under the terms of an economic agreement between Canada and the Community ("the obligation, i.e. contractual, to consult and confer") was the very essence of the Mansion House address. A comment by a senior British cabinet minister cited in another review reinforced the notion that Mr. Trudeau's tactics were not altogether misplaced. Canada, the source predicted, was likely to salvage "a protocol of consultation" from Brussels for its efforts, but would have experienced outright rejection by the Council of Ministers had a definitive treaty been advocated.⁸⁵

The Prime Minister returned to the continent in late May and completed his series of personal consultations with national leaders, visiting Denmark and Luxembourg (May 27-31). Danish Premier Anker Jorgensen assured Mr. Trudeau that his Government would support Ottawa's contractual link objectives when the question was finally brought before the Council of

Ministers and both sides agreed to a visit by a Canadian mission which would seek ways of increasing trade and technological exchanges. Similarly, Prime Minister Thorn maintained that his country was perfectly in tune with Canada's approach to the Common Market and, on a bilateral plane, expressed Luxembourg's interest in CANDU reactors and uranium purchases.⁸⁶

3 The Community Response (May, 1975-July, 1976)

If Prime Minister Trudeau's overtures to Europe were seen by many as baffling or futile, they had nothing but a positive effect on the one body critically important to advancing Ottawa's cause. In what must have been an inexplicable turn of events for all the Government's detractors, the Commission announced on May 22 that the exploratory talks, initiated with Canada in October 1974 to consider the possible shape of future negotiations, had been completed and that the time was ripe for the Community to conclude a major agreement.⁸⁷ In recommending this course of action to the Council of Ministers, two "fundamental and compelling realities" were taken as points of departure:

The first reality is political: the determination of successive Canadian governments up to and including the present to affirm a distinctive Canadian national identity and to enhance Canada's independence. To this end, Canada is seeking to diversify and extend her external relations. In particular, the Canadian government has for some time made clear its desire to develop a closer relationship with the European Community. A cordial and flourishing relationship with individual Member States already exists. But Canada wishes to supplement this

relationship by adding the Community dimension and by associating to some degree Canada's own future with that of a new Europe. This as the Commission understands it, is the political essence of the Canadian government's advocacy of what it has termed a "contractual link" with the Community. The Community recognizes this political reality, sympathises with Canada's aim and wishes to furnish a clear and positive response. It remains to establish the means by which the aim may be translated into action.

The second reality is economic. The Community sees Canada, an advanced industrial nation of immense natural resources, as a liberal trading partner of great importance. Canada sees the Community as an economic entity of the first world rank, offering investment and advanced technological know-how as well as outlets for Canadian manufactured goods and processed or unprocessed raw materials. The basic facts of economic life therefore impel Canada and the Community to seek common ground as the foundations of their future cooperation and mutual benefit.⁸⁸

The Commission envisaged negotiations along the following lines. An economic and commercial cooperation agreement would be concluded to last at least five years and revoked only then after one year's notice. The contracting parties would denote their attachment to non-discriminatory GATT principles via a most-favoured-nation, trade liberalization clause. Commercial cooperation might involve contributing to the stability of supply or facilitating the penetration of export markets but this would be done "without prejudice to the multilateral negotiations." Among the objectives hoped to be realized from the arrangement would be the promotion of European and Canadian industrial development, the advancement of industrial technology, the

opening of new markets and sources of supply, the creation of jobs, the protection and improvement of the environment, and a general increase in the standard of living. A list of priority sectors such as uranium, metals, and forestry could form the basis for a programme of work for the immediate future, but "In view of its evolutive character the agreement would not seek to make an exhaustive enumeration of the fields in which economic cooperation would be covered." Nevertheless, it was to be implicitly understood that this cooperation would be as wide as possible, particularly in the industrial area. Under the proposed mandate, the two sides were to seek to encourage and facilitate, among other things, a wider and more organic consensus between respective industries, particularly in the form of joint ventures; a greater participation, on mutually satisfactory terms, of EC economic operators in Canada's industrial development; increased and beneficial investment; technical and scientific exchanges; and joint projects in third countries. In addition, a joint Canada-Community committee for cooperation would be formed to supervise bilateral developments on an issue to issue basis.⁸⁹ Overall, the Commission's plan reflected a desire, expressed before during Mr. Trudeau's first trip, for an arrangement that would both go beyond the confines of a mere trade agreement and avoid a complete duplication of existing GATT principles.

That the Council of Ministers would approve the Commission's recommendation at its scheduled June 24 meeting

and thereby give the official go-ahead for working out the details on a final agreement was by no means certain. The major impediment appeared to be France which, for reasons relating to a fear of lost bilateral advantages, the suspicion of an American "trojan horse" design on the Community, and feigned concern over technical problems arising from the EC's novel involvement with an industrial overseas country, was considered a doubtful collaborator. And if Paris's consent was not forthcoming, a framework accord could be relegated to the realm of wishful thinking. Mr. Trudeau emphasized during his third European jaunt that a "misunderstanding" existed in the French capital concerning the effect of Ottawa's actions. Canada had no intention of hastening the transfer of sovereignty within the Market by concluding Community-wide arrangements to the detriment of deals made with the individual member states. Some authorities had misgivings because they did not understand that Canada "will be perfectly happy to continue bilateral relations with the countries of the Community, even having established the contractual link."⁹⁰

Several of the state to state exchanges proposed during the Prime Minister's Fall and Spring visits were conveniently realized just prior to the Council of Ministers' June session. Of these, the June 9-10 ministerial-level meeting of the Canada/France Joint Economic Committee was particularly useful as a last minute opportunity for Canada to press its contractual case. Beside asking the Canadian

business community for its cooperation in seeking to improve trade with France and announcing a November departure date for the mission he was to lead to Paris, Mr. Gillespie requested of the visiting delegation headed by External Trade Minister Norbert Segard French support for the Framework Agreement. A number of developments concerning commercial relations between the countries were also announced, giving Mr. Trudeau's counterweight efforts an aura of success and perhaps convincing the Paris Government that bilateral exchanges would remain a healthy form of intercourse. Five Canadair CL-215 water bomber aircraft would be sold to France and a French company had indicated an intention to purchase four of the new de Havilland DHC-7 STOL planes. Among the several joint ventures to be entered into included one involving Canadian Northern Electric, which would market French telecommunications equipment, and Thomson-CSF, a French firm responsible for manufacturing some of Northern's electronic switching gear. In addition, sales of ships and marine drilling platforms were being negotiated, following the purchase of \$175 million worth of Canadian ships by French owners during the previous three years. Joint research on air cushion vehicles was planned as was further cooperation in the transatlantic communication of digital data, in air traffic control equipment to third markets, and in electronic components.⁹¹

At about the same time as the Joint Committee's meeting, a group comprising a dozen French manufacturing

representatives were on what The Globe and Mail described as a "cross-Canada selling tour". Led by the chairman of the French Union of Exporting Industries, the visit was the first major export mission sent by France to Canada in the post-war period. The companies represented in the delegation included those making beauty products, watches, machine tools, building materials, and wine. An offer to help Canadian firms penetrate the French market was extended and the suggestion made that the two countries explore the opportunities for joint business training programmes.⁹² All this commercial interest indicated the increasing value being placed by France on Canada as a trading partner and in a certain way foreshadowed the outcome of the crucial June 24 decision by the Council of Ministers.

Until the actual vote was taken, commentators were not giving the acceptance of the contractual link concept much of a chance. All the indications, according to European Report, were that the Foreign Ministers would tackle the matter with extreme caution, digesting the full implications of such a novel arrangement and deciding how to handle links with industrialized raw material producers overall. The body would then likely ask the Commission to elaborate on its rather sketchy mandate before expressing an opinion. Moreover, the proposed agreement was a low priority item on a heavy agenda devoted mainly to southern European and agricultural issues, leaving time only for prepared statements. Real debate was expected to be left to a future Council

meeting.⁹³

It was therefore considered a major breakthrough by all concerned when, in a brief fifteen minute period, the Ministers unanimously voted to agree in principle to negotiating the economic and trade cooperation pact with Ottawa and to empower experts to examine the proposed mandate.⁹⁴ The reversal of the French position, spelled out by Foreign Minister Jean Sauvagnargues, took all the delegations by surprise, especially the Commission's Soames who reportedly had come prepared "to go to war" for the link.⁹⁵ Several reasons for the turn of events were put forth by analysts.⁹⁶ France had been very anxious in the post-Gaullist era to smooth over unhappy experiences with Canada, and to be labelled a spoiler in the contractual overtures would do nothing to enhance this posture. Rather than run the risk of allowing technical details or imagined fears to halt the progress either of Community ties or bilateral concerns, the Paris Government, on President Giscard d'Estaing's specific instructions, lifted its reservations as a "political gesture". Secondly, the French were said to have found particularly appealing a policy seeking to reinforce Canadian identity and render Ottawa less dependent on the United States economically and otherwise. Again, the theory of trade bloc balance of power was being brought into play. France had also been under considerable pressure from its Common Market partners to help build new bridges between Europe and Canada, the latter being regarded as an extremely desirable source of

raw materials and energy supplies. Finally, it was suggested that the Europeans generally valued the presence of Canadian troops on the continent and were willing to show this through actions in the economic sphere.

While the Council of Minister's decision was a significant step toward realizing the Framework Agreement, obstacles remained very much a factor during the last year of the negotiation process. Two problems, in particular, considerably delayed the ultimate signing. Until late October, the Commission's draft proposal still had not been dealt with substantially by the experts charged with preparing Brussels' final negotiating position. Holding up proceedings were requests by France (which, while willing to support the link in principle, was less flexible on the particulars) and surprisingly Britain for the incorporation into the document of guarantees defining the Community's jurisdictional authority and providing assurances that such competence would not impinge on bilateral economic cooperation activity. A "mixed" agreement signed by both the Community and individual member states was the type being insisted upon. Because Canada and the seven other EC members strongly favoured a single Common Market pact, a formula had to be found which would delineate the Commission's powers in such a way as to provide the necessary safeguards and thereby remove the need for dual signatures. The impasse was broken in mid-October on the basis of a compromise proposed by the Government of the Netherlands. Under the Dutch formula, the Commission would

be empowered to negotiate and sign the Canada-EC accord. But a clause stipulating that the arrangement would not impede any member-state from concluding its own bilateral agreements with other countries was to be included. The French accepted the solution immediately and London followed suit at the end of the month, ending speculation that the Council of Ministers would have to be convened to resolve the quandary.⁹⁷ With work able to proceed on the mandate's final form, it was optimistically predicted that authorization permitting the Community civil servants to begin talks with Ottawa could be expected for December.⁹⁸

However, a last minute objection to the pact raised by Denmark effectively delayed this event until February. The Danish position involved Canada only indirectly and was more a theoretical protest than anything else. It centred around Ottawa's dual pricing system for energy resources, which provided for a higher export price to U.S. consumers than was charged domestically. While Denmark and, indeed, the rest of the Common Market countries were not importers of Canadian oil or gas, the Danes nevertheless demanded of the International Energy Agency (IEA) that Europeans have "guarantees of access on a non-discriminatory basis" to such reserves. The IEA was in the process of working out an energy cooperation pact that would include a minimum seven dollar a barrel safeguard price for oil as a means of protecting costly research and exploration investments. Denmark, without fuel reserves of its own and heavily

dependent on outside suppliers, wanted to make it a condition of agreement for the floor price that there should be unrestricted access to reserves in all other IEA member countries, of which Canada was one. Copenhagen apparently feared that if Ottawa's pricing system was ignored it might establish a precedent exploitable to Britain's advantage in later negotiations over the North Sea deposits. The Trudeau Government's acceptance of the unrestricted access demand was also a stipulation for proceeding further on the Framework Agreement. But associating the price of the link with easier terms for Canadian resources was not considered politically astute in Ottawa and stiff resistance ensued. A compromise settlement finally was reached in the first week of February 1976, with Canada indicating that while it would not sign a formal statement guaranteeing non-discriminatory access, the spirit of the principle would be taken into account.⁹⁹ With the Danes satisfied, the Council of Ministers could finally empower the Commission to put its framework proposals, now refined and approved, to the Canadians for debate.

The first negotiating session got under way on March 11 with the issuance of a joint communiqué indicating that all thought of including specifics in the final agreement had been dropped. This was a reference to the key economic cooperation section of the accord, originally intended to list uranium, non-ferrous metals, and forest products as three sectors in which immediate work on trade proposals

might be considered. It had been decided by both sides not to itemize for fear of limiting potential cooperation solely to those areas designated.¹⁰⁰ Flexibility and openness were to be the bi-words of the pact. Perhaps it was because this decision on specifics further generalized the discussions that Canada's chief negotiator, Michel Dupuy, was able to report after the March session that mutually satisfactory progress had been made.¹⁰¹ Following a second and third round of talks in May, which confirmed the declaration's final wording, negotiations were brought to a close on June 2. The text of the agreement was then submitted to the Council of Ministers on June 29-30 for final approval. Official signing of the Trudeau administration's long awaited contractual link took place in Ottawa on July 6 with External Affairs Minister MacEachen representing Canada and Max Van der Stoep, President of the Council, and Christopher Soames, doing the honours for the EC.

In content, the five-page, nine-article Framework Agreement closely resembled the original suggestions outlined by the Commission in May, 1975. The nine articles have been paraphrased by the Bulletin of the European Communities Commission:

- 1 The Agreement will be of indefinite duration and will be evolutionary in character. It may, however, be terminated by either contracting party after five years from its entry into force, subject to one year's notice.
- 2 The Agreement is non-preferential in nature and the two contracting parties undertake

to accord each other, on an equal and reciprocal basis, most-favoured-nation treatment in accordance with their rights and obligations under GATT....

Commercial cooperation

3 Under the terms of the Agreement, the contracting parties undertake "to promote the development and diversification of their reciprocal commercial exchanges to the highest possible level". To this end and in accordance with their respective policies and objectives the parties will:

- (a) cooperate at the international level and bilaterally in the solution of commercial problems of common interest;
- (b) use their best endeavours to grant each other the widest facilities for commercial transactions in which one or the other has an interest;
- (c) take fully into account their respective interests and needs regarding access to and further processing of resources.

4 The parties to the Agreement will use their best endeavours to discourage, in conformity with their legislation, restrictions of competition by enterprises of their respective industries, including pricing practices distorting competition. At the request of either party, they will hold consultations and review these matters in the Joint Cooperation Committee which is to be set up.

Economic cooperation

5 Canada and the Community, in the light of the complementarity of their economies and of their capabilities and long-term economic aspirations, will foster mutual economic cooperation in all fields deemed suitable by them. The objectives of such cooperation will include:

- (i) the development and prosperity of European and Canadian industries;
- (ii) The encouragement of technological and scientific progress;
- (iii) the opening up of new sources of supply and new markets;
- (iv) the creation of new employment opportunities;
- (v) the reduction of regional disparities;

- (vi) the protection and improvement of the environment;
 - (vii) generally to contribute to the development of their respective economies and standards of living.
- 6 As a means to such ends, the contracting parties will, as appropriate, encourage and facilitate, inter alia:
- (i) broader inter-corporate links between their respective industries, especially in the form of joint ventures;
 - (ii) greater participation by their respective firms in the industrial development of the contracting parties on mutually advantageous terms;
 - (iii) increased and mutually beneficial investment;
 - (iv) technological and scientific exchanges;
 - (v) joint operations by their respective firms and organizations in third countries.
- 7 The parties will encourage the regular exchange of industrial, agricultural and other information relevant to commercial and economic cooperation as well as the development of contacts and promotion activities between firms and organizations in the Community and Canada.
- 8 It is clearly laid down that, without prejudice to the relevant provisions of the Treaties establishing the Communities, the Agreement and any action taken under it in no way affect the powers of the Member States of the Communities to undertake bilateral activities with Canada in the field of economic cooperation and to conclude, where appropriate, new economic cooperation agreements with Canada.

Joint Cooperation Committee

- 9 A Joint Cooperation Committee is to be set up to promote and keep under review the various commercial and economic cooperation activities envisaged between Canada and the Community. Consultations will be held in the Committee at an appropriate level in order to facilitate the implementation and to further the general aims of the Agreement. The Committee will normally meet at

least once a year and special meetings will be held at the request of either party.¹⁰²

The final signing was accompanied by the enthusiasm expected from those directly involved. According to the Joint Communiqué released on the occasion, the pact would "provide a framework and focus for Canada/EC...economic co-operation which should lead to increased trade and investment opportunities between the two sides".¹⁰³ Mr. MacEachen thought the events of July 6 were "an important milestone for us", but his assessment also left little doubt that the real significance of the agreement was yet to be realized:

Having successfully met the first challenge by reaching agreement on the framework, we must now infuse it with life....We do not expect things to change overnight, but we do hope that the Agreement will act as a catalyst to stimulate economic cooperation which will on our part involve not only the private sector but also the provinces.... Thus, today's ceremony, far from being the end of a process, marks the beginning of a new venture. We now have a design and framework; it is now up to both sides to translate promise into performance.¹⁰⁴

Observers less involved in the negotiation process tended to maintain the cynical position that any "performance" to come out of the link would be hard pressed to match the promises of July. The promises themselves had little meaning for many, as press reviews such as those entitled "Canada-EC talks engulfed in the mass of generalities" and "Canada's link to EEC lacks serious purpose" attested. The sector perhaps most crucial to the eventual success of the Trudeau Government's

counterweight efforts - the Canadian business community - was also skeptical. These negative responses, the reasons for them and the implications they hold for the future development of the country's Common Market dimension, will form part of the discussion in the final chapter.

c) An Assessment

How does one evaluate the Trudeau Government's negotiation efforts over the four-year period leading up to the July 6 signing of the Framework Agreement? From a negative viewpoint, it might well be argued that criticism of Ottawa's inadequate representations was justified. The persuasive skills traditionally required to overcome the indifference of a suitable counterweight - skills which would have been most useful vis-à-vis Europe - were embarrassingly deficient throughout the exercise. Up to about mid-1974, the circumstances clearly dictated a dynamic, fully-committed, well thought out approach if Canada ever hoped to get the Community's attention and to engage its processes of policy formulation. What was forthcoming instead was a series of discreet, nebulous, half-hearted requests. Even when the Government did submit a concrete proposal, it was not its inherent value which attracted Brussels (indeed, the aide-memoire of April 1974 was manifestly inadequate) but rather the dictates of changing international conditions, on the one hand, and the imagination of the Commission, on the other.

The Commission, in fact, not only moved into a crucial

mediatory role between Canada and the nine member-states during the final two years of the talks but also took over the initiative from Ottawa. It got the Canadians to accept the new model agreement, gaining in effect an ally in its attempts to extract broader foreign policy powers from the Council. It used the energy emergency and the international raw materials situation to pressure the Nine into accepting its version of the link, while at the same time assuring them that their sovereignty was not being threatened. And the Commission's stature gained a symbolic boost with the Council's eventual agreement to allow it to independently negotiate and sign the pact. To a very large measure then the Canadian Government was a pawn in the evolving power structure of the EC, having only minimal responsibility for the successful conclusion of the negotiations. But, given Ottawa's generally poor representations, this was probably just as well.

Assessed more positively, Canada should be granted some credit for its efforts. If not skilful in its approach, the Government was at least persistent. Diplomatic labours undertaken by Canadian officials, both in the Brussels institutions and in the national capitals, together with the Prime Minister's own visits, proved instrumental in pressuring the Community to do something about Canada's ill-defined idea and, more specifically, in sparking the imagination of the Commission.

Secondly, observers who rebuked the Government for

not providing a detailed explanation of what the link would provide understood neither the nature of the discussions nor the actual purpose of the accord itself. The Agreement was only intended to lay down the broad parameters for future concrete action on economic cooperation and trade matters. Public or private discussion of the particular possibilities might well have alienated those member-states anxious to maintain good relations with the U.S. or who were seeking any convenient excuse to curtail the aspiring supernationalism of the Community. It might also have produced an impasse on the question of what form of commercial intercourse was to be pursued. Had Mr. Trudeau, for instance, dwelt on the intricacies and implications of Canada's efforts to change its raw material exporting image, the Europeans likely would have lost interest at any early stage of the talks.

Finally, the various functional and institutional linkages between Canada and the European Community which emerged as a result of the negotiations (interparliamentary meetings, establishment of missions, environmental cooperation pacts, for example) may provide, if not the forum for designing vast collaborative enterprises, at least the means of preventing the policies of each partner from doing too much damage to the other in times of economic difficulty. These linkages, for which Ottawa has been given very little credit in the press and elsewhere, have at least raised the level of mutual awareness in trans-Atlantic relations, and will be important if things are to develop any further.

NOTES - CHAPTER III

- 1 Cited in The Globe and Mail, 10 June, 1976, "What is Ottawa's EEC agreement?"
- 2 Ibid.
- 3 J.D.B. Miller, "The unassociates: the EEC and developed countries overseas", The World Today, Vol. 30, No. 8 (1974), 327-34.
- 4 For a more thorough treatment of the Community's association arrangements, see Dennis Swann, The Economics of the Common Market, 2nd ed. (Harmondsworth, Middlesex: Penguin Books, 1972), ch. 8; or John Pinder, "The Community and the Developing Countries: Associates and Outsiders", Journal of Common Market Studies, Vol. XII, No. 1 (1973), 53-77.
- 5 Miller, op. cit., 329-30.
- 6 See Mary Locke and Hans Binnendijk, "EC-Japan Dialogue, Bridging the Communications Gap", European Community, No. 174 (March, 1974), 8-10.
- 7 Miller, op. cit., 332.
- 8 See "The First Summit Conference of the Enlarged Community (II)", Bulletin of the European Communities, Vol. 5, No. 11 (1972), 67-71. An assessment of the summit is offered by Avi Shlaim in "The Paris Summit", The World Today, Vol. 28, No. 12 (1972), 520-30.
- 9 James Langley, "Canada's dialogue with the EEC: problems of making it effective", International Perspectives (January/February, 1974), 30.
- 10 The Community's progress during 1973 has been summarily analyzed by Roger Morgan, "Can Europe have a foreign policy?", The World Today, Vol. 30, No. 2 (1974), 47-48; and by The Ottawa Citizen, 11 January, 1974, "Meanwhile, Europe is in disarray".
- 11 Langley, op. cit., 30.
- 12 See Jeremy Kinsman, "Pursuing the realistic goal of closer Canada-EEC links", International Perspectives, (January/February, 1973), 26.
- 13 See David Humphreys, "Canada's link with Europe still not widely understood", International Perspectives, (March/April, 1976), 34.

- 14 Statements and Speeches, No. 72/23, -3. ▲
- 15 Cited in Humphreys, op. cit.
- 16 "The First Summit Conference of the Enlarged Community", Bulletin of the European Communities, Vol. 5, No. 10 (1972), 21.
- 17 Statements and Speeches, No. 72/23, 1.
- 18 The Ottawa Citizen, 21 October, 1972, "Canada is mentioned as a trade partner".
- 19 The Globe and Mail, 23 October, 1972, "Importance of Canada in trade recognized in EEC communiqué".
- 20 Statements and Speeches, No. 72/23, 4.
- 21 The Globe and Mail, 23 November, 1972, "EEC agreement with Canada not imminent".
- 22 The announcement was noted in Kinsman, op. cit., 23.
- 23 The Globe and Mail, 20 April, 1973, "Britain and Canada plan talks on trade".
- 24 Canada, Department of Industry, Trade and Commerce, News Release, 23/73.
- 25 The Vancouver Sun, 5 May, 1973, "Gillespie reassured on trade after Common Market talks".
- 26 Claude Lemelin, "Objectives viewed as too vague in Ottawa's approach to Europe", International Perspectives (January/February, 1974), 32.
- 27 Ibid., 33.
- 28 Ibid., 32. The talks had immediately followed the fourth Arab-Israeli War.
- 29 See the "Joint Communiqué of the Meeting Between the Delegation of the European Parliament and the Delegation of the Canadian Parliament in Ottawa, 1 November 1973", cited in International Canada, Vol. 4, No. 11 (1973), 317-18.
- 30 Reprinted in "Canada and the European Community", Behind the Headlines, Vol. XXXII, No. 6 (1974), 2-8.
- 31 Ibid., 8.

3 3

OF/DE

- 32 Reprinted in ibid., 28-34.
- 33 Ibid., 31-32.
- 34 Ibid., 30; and Lemelin, op. cit., 33.
- 35 Lemelin, ibid., 34-36.
- 36 The Globe and Mail, 12 December, 1973, "Ties with EEC are reinforced in Ottawa move".
- 37 Debates, 29th Parl., 1st Sess., Vol. VIII (1973-74), 8697.
- 38 For the full text of the aide-memoire, see Canada, Parliament, Sessional Papers (House of Commons), No. 301-6/20 (Nov. 5, 1974), 1-6 (mimeo).
- 39 See ibid., 7-14.
- 40 See "Relations with the EC", International Canada, Vol. 5, No. 4 (1974), 74.
- 41 The Times (London), 30 April, 1974, "Canada suggests trade pact with EEC". In discussions between the Commission and Canadian officials over the summer, the Europeans indicated that they found the general principles of the draft unexceptionable and the specifics (i.e. most-favoured-nation relations, reduction of quantitative restrictions, fair practices in customs administration, shipping, and internal taxes, etc.) all rather banal. Paradoxically, the exception to this response were those parts which threatened to pose difficulties for the GATT. (See The Financial Post, 12 October, 1974, "Beneath the Present Disarray in Europe...")
- 42 The Ottawa Citizen, 25 June, 1974, "Canada to seek better deal".
- 43 The full text of the official communication is to be found in the Sessional Papers mentioned above (fn. 38, pp. 15-25). This document, the aide-memoire, and the discussion draft were all tabled in the House of Commons by Prime Minister Trudeau on November 5, 1974.
- 44 Commission of the European Communities, Communication from the Commission to the Council, EEC/Canada Relations: Possible Trade Agreement (Brussels, September 12, 1974), SEC (74), 3372 final, p. 3.
- 45 Ibid., p. 4.
- 46 Mr. Sharp also commented on the CTV network programme "Question Period" that the Community's internal decision-

making process was making the improvement of relations a difficult matter. "They don't know how far to delegate to some common body the right to negotiate with Canada" was the way his remarks were cited in, The Ottawa Citizen, 29 July, 1974, "Relations with EEC not easy".

- 47 The Globe and Mail, 6 April, 1974; "Relations with Paris are back to normal, PM says in France".
- 48 An earlier opportunity to visit Brussels had been passed up in early February while Mr. Trudeau was on the Continent attending a Club of Rome seminar. This blatant disregard for a region long neglected by the Prime Minister aroused a good deal of criticism from the press. See, for example, the Ottawa Journal, 2 February, 1974, "Stop by PM in Brussels somehow gets cut out".
- 49 Details of the Prime Minister's Paris visit have been derived from The Ottawa Citizen, 22 October, 1974, "Ceremonies, more talks help thaw"; The Globe and Mail, 22 October, 1974, "Canada counts on French aid to build Europe ties, PM says"; The Ottawa Citizen, 23 October, 1974, "What about barriers"; The Globe and Mail, 23 October, 1974, "Plans to increase trade with France announced as PM ends Paris talks"; "Entente, But No Trade Alliance", Time Canada, Vol. 104, No. 19 (1974), 6-8; and John G.H. Halstead, "Restoring relations with France and opening new doors to Europe", International Perspectives (January/February, 1975), 3-4.
- 50 But, according to the Ottawa Journal, 26 February, 1975, "Europe asks: What does Canada want?", Mr. Trudeau's use of the shorthand term "Third Option" mystified his hosts both in Paris and Brussels.
- 51 Statements and Speeches, No. 74/12, 1-2.
- 52 The following account of Prime Minister Trudeau's Brussels stay is taken from Time Canada, op. cit., 8-9; The Globe and Mail, 24 October, 1974, "Belgium backs PM's bid for links with EEC but holds out little hope for single accord"; The Globe and Mail, 25 October, 1974, "Talks on relations with Europe to be intensified, Trudeau says"; and The Ottawa Citizen, 25 October, 1974, "Trudeau warns Europe" and "Canada moves towards closer trade ties with EEC".
- 53 In preparation for this October 15 meeting, Commission and Coreper (Committee of Permanent Representatives) authorities had debated the Commission's September 12 proposals re a Canadian link. Ottawa's persistence (everyone was acutely aware of Prime Minister Trudeau's impending visit and his inevitable request for some kind of Community

commitment to negotiate), combined with the vagueness of its proposals, was frustrating to the EC officials. Yet it was these characteristics of the Canadian approach which, in the words of one analyst, "enabled the Commission to keep pressure on the member-states, and to establish a creative broker's role for itself by sketching in a new form of agreement for Canada and the Council to ponder". Charles Pentland, "Linkage politics: Canada's contract and the development of the European Community's external relations", International Journal, Vol. XXXII, No. 2 (1977), 2207. The results of the October 15 meeting, however, were disappointing to the Commission.

54 See "Nine Hope Trudeau Visit Will Spark Re-Think of Trade and Other Relations", European Report, No. 178 (Oct. 19, 1974), 7-8; and "No Accord in Sight for Ottawa Despite Trudeau Visit", European Report, No. 180 (October 26, 1974), 7-8. France was also said to have indicated it would not go along with any pact which might impinge on its bilateral trade and cultural cooperation agreement already in force with Quebec.

55 Pentland, op. cit., 220-21.

56 Department of External Affairs, Transcript of the Prime Minister's Press Conference (Brussels, October 2, 1974), p. 10.

57 Europe, No. 1619 (October 25, 1974), p. 7.

58 Ibid., No. 1681 (February 4, 1975), p. 4.

59 Debates, 30th Parl., 1st Sess., Vol. I (1974), 785-87.

60 Halstead, op. cit., 6.

61 The Globe and Mail, 12 November, 1974, "Compensation held inadequate for trade loss". Brussels strongly opposed the panel idea, saying it was "against the spirit of negotiations, and against the spirit of panel procedure". See "EEC Objects to Continued Canadian Pressure for Trade Compensation", European Report, No. 185 (Nov. 13, 1974).

62 The Ottawa Citizen, 30 November, 1974, "Canada seeks compensation for lost trade".

63 The Globe and Mail, 14 December, 1974, "EEC tariff wall may cut off sales of Canadian wheat".

64 The Ottawa Citizen, 20 December, 1974, "EEC moves to delay possible tariff war with Canada".

65 Canada, Agriculture Canada, "Notes for an address to: The Dairy Farmers of Canada Annual Meeting, Montreal, Quebec",

from the office of the Hon. Eugene F. Whelan Minister of Agriculture (January 22, 1975), 5.

- 66 See "EEC Refuses to Grant Concessions on Cereals", European Report, No. 209 (Feb. 19, 1975)
- 67 The details were revealed in "EEC Settlement with Canada on Cereals and Cheddar", European Report, No. 213 (Mar. 5, 1975)
- 68 The Ottawa Journal, 26 February, 1977, "Europe asks: What does Canada want".
- 69 The Halifax Chronicle Herald, 31 January, 1975, "Special relationship with Europe".
- 70 Cited in the Ottawa Journal, 1 March, 1975, "What does Canada want - and offer?"
- 71 Ibid.
- 72 Cited in The Toronto Star, 22 February, 1975, "PM Seeks ties with European countries".
- 73 Details of The Hague visit are drawn from The Toronto Star, 28 February, 1975, "PM says we need Europe as counterweight to U.S."; The Montreal Gazette, 1 March, 1973, "Dutch back Canada's bid for 'strong ties' with ECM"; The Halifax Chronicle Herald, 1 March, 1975, "Wheels turning for Dutch mission to come to Canada"; and "Visit of Prime Minister to Europe", International Canada, Vol. 6, No. 3 (1975), 59-60.
- 74 The Bonn visit is described in The Globe and Mail, 4 March, 1975, "West German minister supports Trudeau bid for EEC links"; The Globe and Mail, 5 March, 1975, "Germans cool to Canadian investment controls"; The Globe and Mail, 7 March, 1975, "PM in Bonn: the average man hardly notices he's there"; and International Canada, ibid., 60-61.
- 75 See The Globe and Mail, 6 March, 1975, "Trudeau promised Italian Premier's support in attempt to work out treaty with EEC"; and The Globe and Mail, 8 March, 1975, "New ties to Europe not a snub of U.S. PM assures Italians".
- 76 See The Globe and Mail, 14 March, 1975, "Trudeau spells out his proposals to give a fairer share to poor"; "Visit of Prime Minister to Europe", International Canada, Vol. 6, No. 3 (1975), 62-63; and the Ottawa Journal, 17 March, 1975, "PM's dream: Market link gains support".
- 77 Statements and Speeches, No. 75/6, 5.

- 78 See The Globe and Mail, 15 March, 1975, "Whisky, sweeps-takes topics as Trudeau meets Irish PM"; and The Globe and Mail, 17 March, 1975, "PM reports European support but no 'contractual link'".
- 79 For example, see The Montreal Gazette, 20 March, 1975, "Trudeau's tour was just first step"; The Globe and Mail, 15 March, 1975, "No chance of any immediate contractual link between Canada and EEC, officials feel"; and the Ottawa Journal, 7 March, 1975, "Our attitude toward U.S. puzzles Europeans".
- 80 The Ottawa Journal, 19 March, 1975, "Hesitations about Trudeau's hesitant travels".
- 81 The Ottawa Journal, 27 March, 1975, "Europe and Canada: Why all the fuss?"
- 82 The Toronto Star, 10 March, 1975, "PM finds it tough going to open Market doors".
- 83 The Ottawa Journal, 12 March, 1975, "More breakthroughs".
- 84 The Montreal Gazette, 21 March, 1975, "Concept of EEC link no mystery".
- 85 The Ottawa Journal, 13 March, 1975, "Nuclear safeguards stressed by Trudeau".
- 86 See The Globe and Mail, 29 May, 1975, "Trudeau given support by Danes for contractual link with EEC"; and The Montreal Gazette, 2 June, 1975, "PM hopeful EEC agreement will get summer go-ahead". While Mr. Thorn had been consulted earlier in Brussels, it had not been on a formal, state to state basis.
- 87 In large measure, these "exploratory talks" had received their impetus from the Commission. Even before Mr. Trudeau's spring visits, Brussels had presented new proposals to Ottawa, which by May had developed into the clearer, more specific draft agreement envisioned by the Commission in its September 12, 1974 memorandum. Apparently, it had not been difficult to convert the Canadians to this new model. /See Europe, No. 1754 (May 26, 1975), p. 77
- 88 Cited in "Commission Suggests Concluding an Agreement", European Report, No. 233 (May 24, 1975), 12.
- 89 Ibid., 12-13.
- 90 Cited in The Montreal Gazette, 2 June, 1975, "PM hopeful EEC agreement will get summer go-ahead".

- 91 See "Trade Relations with France", International Canada, Vol. 6, No. 6 (1975), 184.
- 92 The Globe and Mail, 6 June, 1975, "French trade mission is first in 30 years".
- 93 See "Ministers Take First Look at Plans for Agreement", European Report, No. 241 (June, 1975); and The Globe and Mail, 25 June, 1975, "EEC musing on co-operation with Canada".
- 94 See "Council Accepts Principle of Negotiating a 'Cooperation Agreement' with Canada and Gives Instructions for Community Position to be studied", Europe: Agence Internationale D'Information pour la presse, No. 1776 (June, 1975), 5.
- 95 The Globe and Mail, 26 June, 1975, "Canadian-EEC pact moving step closer".
- 96 See The Globe and Mail, 28 June, 1975, "Reaping benefits from a fall visit"; and the Ottawa Journal, 22 July, 1975, "EEC and Canada: The stakes are high".
- 97 See "Economic Cooperation Concept Still a Problem", European Report, No. 269 (October, 1975); "Council to be asked for Decision on Type of Agreement", European Report, No. 272 (October, 1975); "Agreement Drafting Continues", European Report, No. 276 (November, 1975); and The Globe and Mail, 30 October, 1975, "Agreement between Canada and EEC nearing completion".
- 98 The Globe and Mail, 6 November, 1975, "Consensus is reached by EEC on Canadian agreement points".
- 99 See The Halifax Chronicle Herald, 11 February, 1976, "Equal energy access not price of link with EEC-MacEachen"; and The Globe and Mail, 15 January, 1976, "Danes set on blocking EEC pact with Canada over 2-price oil policy".
- 100 The Montreal Gazette, 18 March, 1976, "Canada-EEC talks engulfed in a mass of generalities".
- 101 Ibid.
- 102 "Community-Canada Agreement", Bulletin of the European Communities Commission, No. 6 (1976), 11-13.
- 103 Canada, Department of External Affairs, "Joint Communiqué: Framework Agreement for Commercial and Economic Co-operation Between Canada and the European Communities," Communiqué, No. 70 (July, 1976), 2.

- 104 Canada, Secretary of State for External Affairs, "Notes for a Luncheon Statement by the Secretary of State for External Affairs the Honourable Allan J. MacEachen, on the occasion of the Signing of the Framework Agreement for Commercial and Economic Co-operation between Canada and the European Communities, Ottawa, July 6, 1976," Statement/Discours (July, 1976), 2.

Chapter IV

The Potential of the Framework Agreement As Counterweight:

Big Bust or Small Advance?

Commenting on the Framework Agreement's prospects for success, Canada's Ambassador to the European Community, Mr. Marcel Cadieux, told a November 24, 1976 gathering of the Canadian Institute of International Affairs that

I am not suggesting that results will be immediate and that they will be very substantial to begin with. After all, geography must remain a factor and progress in implementing this scheme will be related to policy decision both on the part of the Community and on the part of our own Government that will have to evolve at the normal speed with which decisions of substantial national importance are made. But then the problem is not with the agreement or how we implement it but with the very structure, the very development and operation, of both Canada and the Communities.¹

Mr. Cadieux's tone throughout this speech was, like all Government explanations of the contractual link, cautiously optimistic. And his prediction of only modest accomplishments in the short term has certainly proven prophetic, given the link's first year record of operation. However, the Ambassador's optimism and that of his colleagues appears to have become founded in the recent past more upon increasing trade opportunities per se than on the larger raison d'être behind the whole project: that of implementing an effective counterweight to the United States. His speech to the CIIA made only indirect reference to the Third Option and contained no mention of Washington's presence as a motivating

element in the exercise.² Could this be an indication that Ottawa is pragmatically succumbing to what Mr. Cadieux sees as structural problems faced by Canada and the EC in promoting the pact? To be sure, these problems have come to the forefront now that the reality of implementing the link is fully upon those responsible. And the indications are that the obstacles may very well be significant enough to overwhelm any hope the Trudeau Government might harbour for meaningful trade diversion.

How then does one evaluate the Framework Agreement's record to date? What is the extent and effect of the structural barriers retarding the arrangement's intended purpose? And, in light of all this, how does one assess Canadian counterweight foreign policy in the 1970s? It is to these questions that this final chapter addresses itself.

a) The Record To Date

"Now that the link has been completed, it stands out as an orphan in search of a home." So proclaimed an Ottawa Citizen editorial in July, 1976.³ A year later it may be said that both Ottawa and Brussels have shown surprising initiative and expediency in taking the orphan in, even if the latter's status appears to be more that of a foster child's than of a fully adopted member of the family. In quantitative terms, the progress made in finding practical applications for the Framework Agreement has been modest. But a positive assessment is valid if one considers the

short time span in which the link has had to prove itself. Under the most favourable conditions, an arrangement taking four years to establish will not bear fruit in less than twelve months of implementation. Given the ambiguity of the July agreement, the meaningless explanations furnished by its political sponsors, and the myriad of obstacles strewn in its path, the work undertaken to this point has been encouraging.⁴

The date December 10, 1976, marked the inaugural meeting of the Agreement's Joint Cooperation Committee (JCC) and the first step toward the practical execution of the pact's provisions.⁵ The session was held in Brussels and was timed to coincide with the semi-annual, high-level consultations between Ottawa and the EC (Dec. 8-9). While the opening speeches by Canada's External Affairs Minister, Mr. Don Jamieson, and the Commission's President Ortolí were liberally sprinkled with the well-worn, hollow phrases common to the negotiation period, both men did stress that the pact should concentrate, in the early years, on industrial cooperation in specific areas and projects to ensure concrete results. This acknowledged need for substance over form could do nothing but enhance the credibility of the agreement in the eyes of all observers. Noted one Canadian, "This sectoral approach may not be miraculous, may not produce instant solutions, but it is an honest and systematic effort intended to leave no area unexplored and to make sure that the extent to which the Community is competent...is fully

utilized."⁶

Adopting rules of procedure for the Joint Committee was the first order of business of the two delegations. It was decided that two sub-committees would be created to assist in the development of new trade opportunities. One of these would deal specifically with industrial cooperation, the other with more general activities. Both groups would help to promote economic and commercial relations and identify areas suitable for industrial intercourse. The Committee's work programme for 1977 was also discussed with a number of sectors being listed as likely areas for Canada-Community interaction. These included non-ferrous metals and the forest-based, nuclear, coal, iron-ore, steel, aerospace, telecommunications, and construction industries. Broader areas for cooperation, such as scientific and technological exchanges, environmental protection, fisheries, and joint ventures in third countries were also mentioned. The programme's content underscored the obvious. European interest in the link has always focused on securing raw material guarantees while Canada would like to promote the few high-technology industries in which it has competitive abilities.

In March 1977, three exchanges marked the next step in the implementation of the contractual agreement. The first of these was a mission of Canadian industrialists from the non-ferrous metals sector which toured Belgium, West Germany, The Netherlands, Britain, and France for twelve

days (March 14-25) familiarizing itself with Common Market institutions, developing contacts with national and Community figures, and holding talks with the leaders of major industrial organizations in the EC for the purposes of exploring possible avenues of cooperation. The group, composed of representatives from small and medium-sized concerns and led by J.A. Dawson, acting general director of the resource industries and construction branch of the Department of Industry, Trade and Commerce, was received on March 14 by the European Commission and held talks with Viscount Etienne Davignon, the Commissioner responsible for industrial policy. Following its tour, the businessmen returned to Brussels for a second round of discussions with Commission representatives.⁷

Mr. Dawson, in an interview,⁸ indicated that 75% of the 200-odd meetings with individual European industrialists were to be further explored. "If the amount of follow-up is indicative of effectiveness, then the mission has certainly been successful", he added. The acting director-general also revealed that the group had uncovered prospects for sales in licensing arrangements in Britain and West Germany but that "In our opinion, the success will be visible in the longer term." Certain problems apparently arose over the type of product the Canadians wanted to export, namely semi-finished goods, with the Europeans expressing a preference for primary products.⁹ But, as one of the participants, Mr. F.B. Taylor of Chromasco Limited of Montreal said: "Despite initial reservations, I find the mission went very well....

It offered us a different and wider exposure than is possible on individual initiative."¹⁰

A second group of Canadian businessmen, members of the Consultative Committee of the Department of Industry, Trade and Commerce, arrived in Brussels on March 27 for four days of talks centering around trade, investment, joint ventures, and general areas of potential cooperation. This delegation, which included high-ranking representatives from such firms as Canadair Ltd., Alcan, the Toronto Dominion Bank, Dominion Engineering Works Ltd., Hawker Siddeley Canada Ltd., and Canada Forest Products Ltd., met with the Commission's new President Roy Jenkins and other Community officials.¹¹ And then, on the last two days of the month, the Industrial Cooperation Subcommittee of the JCC got together in Brussels with the objective of pin pointing four or five specific areas for immediate Canada-EC trade development and to establish the appropriate ad hoc working groups to oversee them.¹²

The summer months of 1977 saw a continuation of the now firmly entrenched consultative procedures, and the announcement of one potentially important joint economic arrangement. Nuclear cooperation was the subject of discussion between Ottawa and Brussels when a group of Canadian nuclear experts, mainly from government, arrived in the EC capital on June 16 for a two-day visit.¹³ While the talks officially touched on aspects of exploration, long-term needs, technical questions, and cooperation in equipment, it was also seen as an occasion to help iron out safeguard

difficulties between the two sides.¹⁴ Then from July 5-7, Ottawa hosted the latest twice-yearly round of consultations between the Common Market and Canada. The two sub-committees of the JCC took advantage of the opportunity provided and held working meetings to organize the next session of the Joint Committee planned for November, also in Ottawa. Telecommunications, and the electrical and aeronautic sectors received particular attention from the industrial group, with possibilities for cooperation on minerals (i.e. uranium), timber, and energy also being examined. The sub-committee dealing with general matters discussed regional and environmental policies, scientific and technological questions, and trade and investment flows between the Community and Canada. Both groups were due to meet once more in the autumn to prepare for the JCC conference in November.¹⁵

Finally it was announced at the end of August that Ottawa had issued formal tender requests to international aircraft manufacturers for the production of new Canadian Armed Forces fighter jets. While four U.S. companies were involved, Panavia MRCA, a consortium of British, German, and Italian aerospace industries producing the Tornado aircraft, and the French Mirage manufacturer Dassault Brequet also received notice to participate in the \$2 billion plus order.¹⁶ If one of the European bids proves equally competitive to the top U.S. entry and is accepted by the Trudeau administration, the credibility of the link and the Government's commitment to its intended purpose will be strongly affirmed.

In outlining the progress to date, mention may be made of one Canada-Community exchange that preceded the actual July 1976 signing but which, according to Canada's High Commissioner to Britain, Paul Martin, was "aided by the salutary effect of the talks for the contractual link". This was a January 1976 London gathering of leading engineering and construction company representatives, and senior government trade officials, from Canada and the U.K. The discussions reviewed the market and production situation of each side and identified business opportunities elsewhere in the world. Investing in one another's firms, pooling skills and techniques, and joint venturing abroad were reportedly also dealt with.¹⁷

The contractual link's record, as a mechanism for increasing trade, has therefore been modest but encouraging. Groups have been brought together, bilateral discussions at the government and industry level have certainly intensified, and the EC Commission has shown considerably more attention to Canada in commercial matters than was previously the case. The sectors identified as likely areas for economic cooperation are logical in terms of current need and future potential. At the same time an understanding is being struck. Canada's resource industries are prominently involved but as one European put it, "We realize there is no future in expecting raw materials to flow in a raw state to us."¹⁸ And, as the influential German weekly Die Zeit recently remarked on the Trudeau Government's uranium embargo: "If

Ottawa were more forthcoming on this issue, Canada would probably fare better in its endeavors to intensify its dialogue with the European Community."¹⁹ Both sides seem to share the view that high-technology cooperation may result in products that could compete with American ones, something neither party can presently do consistently. As such, Canada's access to an extensive research and development base appears to have been confirmed.

This favourable analysis must be viewed, however, within the context of the Framework Agreement's intended purpose. Merely being successful at creating new trade opportunities in Europe will not be a sufficient accomplishment for the link if it is to be seen as a counterweight mechanism to the U.S. The reasons become obvious with an examination of 1976 trade figures. Canada's exports to the United States grew by 19.5% during this year and represented 67.5% of the country's foreign sales. Exports to the Community increased by only 8.9% over 1975 and accounted for just 12% of total sales. Moreover, this 8.9% reflected the effects of inflation more than any significant increase in the share of the European market. And despite a wider penetration of Canadian-made high-technology products, manufacturing goods still represented only 11% of the export sum to the EC.²⁰ The Agreement's future success then should be gauged, not in absolute terms, but by the proportion of annual trade increase to Europe relative to that of the U.S. As the above figures reveal, the link has a long way to go.

b) The Barriers To Success

From a current vantage point, one doubts whether or not the contractual link can, in fact, ever hope to achieve its Third Option objectives. The question is not one of slowness in setting up the procedures or the considerable time necessary to feel the effects of what new exchanges are agreed to. The problem centres around broader and more profound structural difficulties which are, in part, beyond the control of the Trudeau Government. To fully appreciate the extent of these barriers, present developments within the Community, within Canada, and within North America should be examined.²¹

1 The State of the European Community

A major deterrent to Ottawa's Third Option aspirations lies in the current state and future outlook of the Common Market. 1976-77 is definitely not 1972-73. The conditions on which Canada perceived the EC to be an ideal partner in its trade diverting efforts have undergone a disheartening metamorphosis. Indicators which one suggested to Ottawa that the EC was a "bloc" power on the verge of "take-off" (the abundance of internal political will, typified by enlargement, the Common Commercial Policy, and calls for economic and monetary union by 1980; its status of an economic superpower with currencies stronger than the American dollar; the acquiring of a decisive political voice in West-West relations) have all but disappeared. Little is heard today of the

"European identity" so talked about in the Pompidou era. The situation was aptly summed up, ironically, at the time of the Framework Agreement's July 1976 signing, by the new President of the Council of Ministers, Max von der Stoel. In just a few years, he told the European Parliament, the Community motto has changed from "competition, enlargement and strengthening" to "stagnation, decline and escapism". And he added, "One may well wonder how long it will be before the Treaty of Rome and everything so far achieved will be simply a valuable historical curiosity."²²

The frustrations suffered by the EC since 1973 have both an external and internal character. Paramount, in terms of the former, has been the 1973 Arab oil embargo and subsequent four-fold increase in Community fuel prices. As will be elaborated below, attempts made at resolving this energy crisis have revealed deep divisions among the member-states, this in spite of their commendable efforts at bringing about a new North-South economic dialogue. The burgeoning cost of oil has also resulted in an effective reversal of economic power. Being more heavily dependent on Middle East energy imports than the United States, many European currencies have greatly weakened in relation to the American dollar. This change, in turn, has precipitated a high degree of inflation in the domestic economies of most EC countries and an endemic crisis in some of them.

These difficulties, while damaging enough to the high hopes of the early seventies, were compounded by a series of

frustrations within the Common Market itself.²³ As Philip Windsor has perceptively pointed out, the enlargement negotiations in retrospect actually served, by their success, to cover the failure of the Nine to agree on other matters. German Chancellor Willy Brandt's announced plan for a Common Energy Policy to deal with Europe's fuel situation and to provide at the same time a new focus of identification for the EC is a case in point. Such a programme, difficult to implement even in countries already united, merely served to accentuate existing tensions among the Nine. Britain, for instance, was trying to wrestle with its economic problems in 1974 and 1975 by borrowing heavily abroad, using the promise of North Sea oil as collateral. While this action underlined the country's economic weaknesses, it also indicated a certain expectation of political strength. This was evident in London's attempt to secure a separate seat at the conference of energy-producing and consuming nations even though the Community had already agreed to have a single common representative. For France, the energy question provided an ideal opportunity to establish Paris as the capital of the Euro-Arab dialogue, thereby fulfilling the dual French ambition of snubbing Washington and assuming a leading role on the continent. Germany's call for a common energy policy was, therefore, an indication less of Common Market unity than of that country's special situation in a field of competing interests.²⁴ Europe had, and still has, no unifying vehicle beyond the shaky structure of the CAP.

Such failures at establishing a strong Community identity would have been tolerable had the members been able to consolidate their respective positions, continue to reach ad hoc agreements, and share in the profits of their economic growth. But it has been here that widening differences in economic performance have made such agreements impossible. The record of the so-called "snake", or European currency union, has reflected this very discouraging fact. Created following the 1971 collapse of the Bretton Woods system, the snake was intended to make the EC an island of monetary stability in a world of floating exchange rates. The participants pledged to maintain fixed currency relationships while fluctuating en masse against the U.S. dollar and other units. This, it was reasoned, would stimulate a greater coordination of financial and economic policies among the members and, because of the high-level governmental decisions involved, carry the Community into a preliminary phase of political union. However, the growing inflation rate disparities within Europe over the last several years have put the snake in a crisis situation. Bonn's superior performance in this respect (together with its accumulation of surplus reserves of foreign currencies) has acted to bid up the mark's value against the dollar, taking the less successful units of the system along with it. The results have seen the British pound, Italian lira, and French franc - the weakest of these currencies - abandon the snake under pressure of exchange rate speculation. Thus,

instead of bringing the EC economies closer together, the currency union has only accentuated the differences in domestic performances and divided the Community into rich and poor camps. Those of the poor camp, under the vicious cycle of depreciation and internal inflation, have been forced to pay higher prices for imports which in turn has lead to cost of living increases, government austerity measures, and the rising spectre of protectionism.²⁵

This unbalanced economic situation gives rise to several crucial considerations which must be answered positively if the Community is to endure the present. The first deals with the continued willingness of Germany to support the weaker members of the group. The costs involved and tensions incurred may indeed be enough to persuade Bonn that the sacrifice is too great. A prime example is the burden it shoulders in the CAP. Under a system highly advantageous to those countries whose units of exchange are floating downwards, the West German Government presently pays the bulk of the programme's subsidies to Italy and Britain. In the case of the latter, this amount is more than \$2 million a day. And much to its benefactor's chagrin, Whitehall has reversed its 1973 avowal to promote the CAP's reform by now declaring the agricultural agreement to be non-negotiable. Another example of tension has been seen in the field of developmental aid where inflation and recession have necessitated spending cuts by the Nine. These came at the insistence of Bonn and, while reflecting economic

practicalities, have taken on political overtones. The majority of the 46 Lomé Convention states are still French-speaking, and the Germans see no reason why Paris should go on buying influence at their expense.²⁶

Dissatisfaction and dissension among the disadvantaged Community members has also been very prominent. Italy, the U.K., and Ireland are competitors for the inadequate resources of the Regional Development Fund. On the question of a Common Fisheries Policy, London and Dublin have been half-hearted allies against the other seven but whole-hearted enemies of each other.²⁷ In Britain, as a summer 1977 European Commission opinion poll indicates, anti-Market sentiment is such that a vote on continued membership in the body would be lost.²⁸ This, barely two years after the country held its referendum showing overwhelming support for the EC. The major cause for this reversal is the widespread unhappiness over high food prices which, paradoxically, London was forced to accept as a condition of CAP subsidization.

A further consideration, ultimately more important than any of these individually-felt tensions, is the current climate of political uncertainty on the continent. The tendency towards neo-Fascist and Communist polarization has become notorious in Italy. In France there are strong prospects of a socialist-Communist victory in the next elections. In Britain there is concern that, unless North Sea oil wealth comes to the rescue, the country's economic degeneration could lead to social and political turmoil. All

this threatens to undermine the ideological basis on which the Community was founded, the shared belief in the structures and values of a liberal democracy. But this uncertainty goes beyond the question of whether "Euro-Communism" can change its spots, divisive as this phenomenon would surely be in Brussels. It extends to the fact that each member-state has framed its approach to the Common Market primarily in reference to its own expectations of domestic stability. And this stability is, in turn, directly related to the economic outlook of the EC, which presently appears discouraging. A Commission report presented to the nine Finance Ministers on July 18 of last year reduced early Community growth projections for 1977 from a modest 4% to a worrisome 3% and increased the expected inflation rate to nearly 10%.²⁹ Under these conditions, it said, increased production would be unlikely and inroads to reduce a market unemployment figure of 5.4 million would be insignificant. Such forecasts do not augur well for the EC's future cohesiveness.

At the conclusion of their European Council summit in late November, 1976, Common Market leaders flatly stated that hopes for European unity could not progress without economic recovery. And they also made it clear that such a recovery could not be effective without the help of the United States.³⁰ This recognition, backed up in recent months by new Commission President Roy Jenkin's pilgrimage to Washington and his expressed commitment to "moulding a better partnership, closer to equality than in the past,

with America", has signalled a dramatic reversal in Atlanticist relations.³¹ Gone, it seems, is the considerable friction of the Arab-Israeli War days and the not unusual sight of American Treasury officials arriving in Brussels, cap in hand, to plead for greater European understanding of their Vietnam-inspired financial, commercial and economic difficulties. In addition to wooing U.S. support, the Community has shown signs of developing a meaningful trade link with a country rich in raw materials, possessing a potentially huge consumer market, and indicating new-found political and economic stability - Communist China. A European delegation visited Peking last summer (1977) and the Council of Ministers was expected to give the go-ahead on negotiations for a trade and economic agreement in September.³²

What does all this mean for Canada's Third Option and the Framework Agreement? First of all, the notion of the European Community as a strong, cohesive bloc capable of offsetting the economic pull of the United States is a fallacy in 1977 and will undoubtedly be so for some time to come. Little can be said, therefore, of the symbolic value attached to the signing of the link. As for generating substantial two-way trade, the trends toward import restrictions and other forms of protectionism among the weaker currency countries, together with the very real possibilities for political instability in the near future, are not the ingredients to inspire businessmen on either side to invest

or trade. And it is not at all unfounded that the forces of nationalism, institutional inadequacies, economic imbalances, and German supportive recalcitrance will not combine in some form or another to reduce the Community to little more than a free trade area. Under such a scenario, the Framework Agreement would have little meaning. Secondly, the external steps taken by the EC to deal with their current recessionary problems do not encourage Ottawa's chances of substantial trade diversion. Having made the important political decision to become aligned more closely with Washington, the Nine are unlikely to allow themselves to be perceived as the operative factor in any counterweight enterprises with Canada. And, while the latter's trade in general and raw materials in particular are a very real attraction to Brussels, the search for and access to alternate economic links indicates that the EC does not have to go out of its way to increase its Canadian dimension.

2 The Investment Climate in Canada and Its Implications

In his November 1976 CIIA speech, Mr. Cadieux outlined what the Trudeau Government hopes will be the Framework Agreement's modus operandi. "Given the nature of our economy", he said then, "it will be up to the entrepreneurs, the investors, the financiers, the bankers to see what can be done to develop our relations with Europe....We have to leave the initiative to individuals."³³ Such a throwback to the laissez-faire ideals of Adam Smith would

seem incongruent with Ottawa's recent record of involvement in the Canadian economy. Was it not the Prime Minister who mused in late 1975 that the free market system was an anachronism and that "the Government is going to take a larger role in running institutions, as we're doing now with our anti-inflation controls, but as we'll be presumably doing even after the controls are ended...."?³⁴ Indeed, it is this very contradiction in policy orientations which threatens to render the Agreement ineffectual as a Third Option instrument. For private enterprise to live up to Ottawa's expectations, conditions conducive to investment confidence and trade promotion must exist. Money will go only where it feels safe. Presently in Canada, these conditions are less than satisfied, partly for reasons relating to other official programmes which are also aimed at promoting a lessening of American influence in the country. Thus, the current and projected economic situation suggests, on the one hand, that Europeans are unlikely to contribute significantly to the link, and on the other, that Canadian businessmen with money to invest will be increasingly inclined to turn southwards in search of new markets rather than venture across the Atlantic.

A brief description of Canada's overall trade and investment climate provides a point of departure for examining this predicament more closely. The Economic Council of Canada's Thirteenth Annual Report (1976), one of several recent studies to confirm what the Trudeau administration

would like to ignore in its contractual link endeavours, began its analysis of the nation's trade picture with the following questions: Have Canadians developed the industrial strength and maturity to shed their role as exporters of staples and importers of capital? Are we now closer to being internationally competitive across a broad range of industrial products? And has a chronic reliance on foreign capital as a source of balance of payments stability been substantially reduced? The answers the study provides are far from reassuring.³⁵

It is generally conceded that, despite favourable terms of trade and healthy markets for raw materials and grains, Canada's export performance during the seventies has deteriorated considerably.³⁶ A 1970 trade surplus valued at some 3% of the GNP dropped to 1% in 1972-73 and by 1976 had swung into negative figures equivalent to 1% of total output. This trend has gone hand in hand with a decline in the country's share of world exports. If the Canada-U.S. Automotive Agreement were to be excluded, for example, sales of manufactured goods over the last decade would show almost constant erosion. As for the volume of merchandise traded in the seventies, output has barely kept pace with the expansion of OECD industrial production. It is true that following two years of successive declines, a 12% increase was experienced in 1976, with the early months of 1977 showing the same continued buoyancy. Interestingly, the two main forces propelling this export resurgence have been an

American recovery in house building activity and a stronger demand for cars. (Forest products, other than newsprint, and automotive equipment account for some 70% of this rise in sales abroad.) However, as the latest OECD economic survey of Canada concludes, the external environment is unlikely to remain as favourable with volume growth expected to decelerate from a 1976 level of 18½% to 9½% in 1977. The implications of this generally weak export record for the future of Canadian trade were summed up in the ECC's annual report. Despite a growing interest for Canada's products in Europe and developing nations, it said, "it is difficult to discern any systematic change in the direction of our trade flows, apart from the obvious phasing-out of oil exports destined almost entirely for the U.S. market....it seems clear that our country is locked more or less into the export patterns of the early 1970s, both in terms of commodity composition [I.e. raw materials] and destination [I.e. the American market]." ³⁷

What has caused this general deterioration? Certainly, Ottawa's decision to curtail crude petroleum exports in the face of dwindling domestic reserves, together with the effects of the deep 1974 recession in the United States, have been significant contributors. So too has a rash of industrial strikes and slowdowns in Canada which, by producing a less than satisfactory delivery record for foreign-bound goods, may have created a reputation for unreliability that will be hard to remove. ³⁸ But other more fundamental reasons

also share the blame. First of all, there has been a failure of business to get out and sell. Canadians are often labelled as security conscious risk avoiders, lacking the necessary sense of urgency in promoting sales. As George Leonidas, executive director of Coca-Cola (Canada) Limited, explained in a March 1976 Halifax address, managers do not understand the real difference between managing a business and just operating it, or between strategic decisions and operating decisions. "We in Canada tend to limit our thinking to the obvious", he said. "Where we see insurmountable problems others see challenging opportunities."³⁹ Such a mentality is unlikely to enhance the chances for substantial trade growth in a market area characterized by a high degree of government regulation and planning, protected by a progressive tariff structure and certain other non-tariff barriers, and displaying differing tastes, preferences, and ways of doing business. One high-level Canadian official felt that for the Framework Agreement to achieve success, commercial diplomacy such as that practiced by the Japanese in Europe was essential.⁴⁰ But, as old habits are difficult to dislodge, this would seem a remote possibility in the foreseeable future. The Europeans themselves are somewhat perplexed by this country's entrepreneurial timidity. An Italian diplomat commented at the time of one of Mr. Trudeau's continental tours that "Some of us over here wonder why Canada doesn't get a little more brutal in its trade dealings. With CANDU, wheat, oil, and endless forests you could afford

to be tougher when driving bargains."⁴¹

A growing lack of price competitiveness for Canada's manufactured products in foreign markets has been another prominently cited reason for a declining export position.⁴² While there is some less than persuasive evidence to suggest that this factor has not been a problem in trade with Western Europe,⁴³ it certainly is relevant to the country's more substantial commercial dealings with the U.S. Two trends are worth noting in this respect. From 1969 to the end of 1974, a traditional wage-cost differential between the two North American neighbours narrowed to the point of parity, and by mid-1975, Canadian wages began to exceed those of the United States. At the same time, there has been a reversal of past productivity growth performances, with Canada's rate now showing relatively slower annual advances. The effect of these developments, in statistical terms, is difficult to measure precisely, but estimates have placed the unit labour cost divergency in manufacturing at 10% over the past six years.⁴⁴ For much of this time, the impact of the wage-gap shift was concealed. But, as the current decline in the value of the Canadian dollar indicates, a failing competitiveness has encouraged, through increased import activity and curtailed export expansion, a large trade deficit. Given that the country's services account is likely to slip further into the red with repayment obligations attached to present foreign borrowings,⁴⁵ it is difficult to foresee how the economy will consistently be able to generate

an offsetting merchandise surplus. Certainly, an early or easy surplus cannot be expected with the drop in the dollar's exchange rate. While devaluation will provide short-term benefits to import-competing and export industries, it will also fuel inflation by raising the prices of imported consumer goods and industrial inputs, as well as many export prices expressed in Canadian dollars. In the words of the ECC:

"By itself, devaluation represents a temporary palliative; the longer term solution involves a strengthening of the competitive efficiency and productivity of our industries."⁴⁶

Throughout most of the next decade, it would seem that balance of payments accounting will rely heavily on substantial net capital inflows.

What does this mean for the contractual link? In spite of differing wage and exchange rate developments in Europe which have tended to place Canada in a more favourable trade position bilaterally, it must be remembered that U.S. firms also compete with this country's products in third markets. As such, the recent cost performance trends mentioned above are of a fundamental importance to Canada's commercial position beyond the North American setting. Becoming more competitive with the United States means becoming more competitive generally. But for the Third Option to take hold, the underlying causes of the current trade dilemma must be dealt with and this poses some very difficult problems. It remains to be seen, for instance, whether Ottawa's present prices and incomes policy -

implemented in October 1975 to stabilize costs in all parts of the economy by placing limits on the size of price, pay, and profit increases of most large firms - will succeed in permanently altering the attitudes and behaviour associated with a permissive wage environment. A recent study by the C.D. Howe Institute has indicated that the main contributors to Canada's wage gap difficulties are firmly entrenched and institutional in nature, which leads one to view the impact of controls rather skeptically.⁴⁷ The fact that the country's workers have tended in the past to focus less on the risks of unemployment than on the necessity of keeping up with inflation or with other worker groups is attributable in part to fiscal policy measures introduced by the Trudeau administration (i.e. the indexation of income tax and of many other social security programmes such as unemployment insurance and old age pensions), measures which have supported a general sense of job security and prosperity. Are these programmes to be done away with in order to foster the climate that will lower public expectations? Hardly. By the same token, it is unlikely that certain wage bargaining characteristics cited as contributors to the competitive deterioration - third party intervention in disputes, a lack of union maturity and experience, the relatively weak input position of union leaders in governmental policy-making decisions - will be transformed in the short term. And as for the prospects of improving the productivity component of the equation, the often-argued case for trade liberalization as the answer to

increased manufacturing efficiency appears to be receiving only nominal consideration in Ottawa.⁴⁸

If such formidable deterrants to general export growth bid ill-health for this country's European dimension, recent developments on the investment front also have discouraging implications for the success of the Framework Agreement. Two trends are worth noting in this respect. While Canada has been borrowing abroad at record rates to cover its current account deficit, foreign direct investment is falling, from a peak of \$925 million in 1971 to an estimated \$200 million in 1976. At the same time Canadians have increased their investments outside the country from \$230 million in 1971 to approximately \$500 million in 1976.⁴⁹ It is useful to examine the reasons for these developments, the direction of outflow in the latter case, and the investment response of the Europeans to the whole situation.

Undoubtedly, a waning of confidence in the competitive potential of Canadian industry goes a long way to explain the foreign investment decline. Companies are naturally reticent to install capital equipment where comparative costs are high. But it has also been a result of various other factors which the Americans, who are responsible for about 80% of the inflow, are quick to point out. Alexander C. Tomlinson, chairman of the First Boston Corporation, told a November 1976 audience that a "litany of U.S. grievances" has contributed to this country's loss of investment appeal. Cited here was the Foreign Investment Review Act, the Saskatchewan

Government's potash takeover, the "prospective theft of U.S. television programs from advertisers who paid for them", legislation affecting American magazines published in Canada, moves to discourage or reduce U.S. ownership in advertising and other service businesses, and "rampant nationalism in all its other unattractive forms".⁵⁰ Government interference in the operation of the economy also received considerable attention in a recent edition of the widely-read business publication Fortune. The article, which detailed the Trudeau administration's proposed establishment of a tripartite commission (government, organized labour, and business) to run the country's commercial interests, conveyed a message of uncertainty and disapproval. Such a system was likely to vastly expand Ottawa's powers to plan and coordinate national growth, it said, adding that "Tripartitism is a way to knit a weak, loosely connected group of provinces and private enterprises into a coherent, rational, manageable organization - a sort of Canada Inc., with the Prime Minister as chairman of the Board."⁵¹ Further cause for the American investment fall-off has been provided by the political confusion arising from the Parti Quebecois' November 1976 election victory.⁵² The northward flow of dollars is unlikely to regain its earlier levels until the national unity question is resolved one way or the other.

The increase in Canadian investment abroad is also attributable to conditions of uncertainty at home. With the disincentives to capital expansion contained in its regulations

curtailing company profits, together with frequent changes in the rules themselves, Ottawa's Anti-Inflation Board, in particular, has done much to encourage this unfavourable climate in the business community.⁵³ So too have a myriad of other factors, ranging from an environment promoting competitive disadvantages to the burden of shouldering ever-increasing federal, provincial, and municipal government revenue demands; from labelling requirements and shipping costs to the Prime Minister's philosophical pronouncements on the merits of a free market economy.⁵⁴ "Businessmen... feel battered by governments, by unions, and by the public", commented one observer on the sagging morale of the country's entrepreneurs. "They feel like a chip on the stream, while everybody seems to think they're a great big boat pushing everybody out of the way".⁵⁵ As the volume increase in money leaving Canada indicates, many have decided not to put up with the prevailing conditions any longer. All this comes at a time when a serious shortage of investment capital in the next decade is widely accepted as one of the key problems facing the nation.⁵⁶ It remains to be seen how this requirement, essential in providing jobs for a growing labour force, in developing new energy reserves, for upgrading the quality and quantity of basic social and public services, and particularly in improving the productivity of industries competing in international markets, will be met. One suggestion has recently been offered by the OECD. "Selective measures to encourage investment could...be contemplated," it said, "in

the one area where present prospects are relatively favourable and capacity shortages apparently widespread in the world as a whole - resource and resource-intensive industries.⁵⁷

Where then are Canada's disgruntled investors putting their assets? The answer is not at all surprising, given this country's proximity to the United States, its general familiarity with American business practices, and the comparative market certainties and cost advantages south of the border. And as if to leave nothing to chance, U.S. promotion efforts have also been actively wooing Canadian executives. A June 1977 Toronto seminar, sponsored by the National Association of State Development Agencies, for example, brought together 75 representatives from 56 corporations to hear of generous tax breaks, investment credits, and location grants being made available to companies willing to relocate.⁵⁸ It is interesting to observe the findings of a December, 1976 study published by the New York-based Conference Board which detailed the sources of and reasons for substantial new investment by foreign firms in the United States.⁵⁹ European and Canadian money represented the lions' share of this inflow and it was predicted that these countries would continue to be the most important contributors to the new trend for years to come. Of the 100 largest-companies involved, 24 were owned by Canadians, 25 by British, 9 by Germans, 8 by French, and 7 by the Dutch. Relatively low labour costs, an abundance of raw materials, and an atmosphere conducive to confidence were the three main attractions

motivating the upsurge, the survey concluded. Listed among the notable multinationals diversifying into the American market were the Michelin Tire Corporation, with a \$600 million commitment to build five manufacturing plants, British Petroleum, investing heavily in Alaska's North Slope, and Volkswagenwerk AG, whose decision to construct a car factory was cited by Citibank as one "dramatizing the enhanced attractiveness of the U.S. as a manufacturing base and spotlighting how rapidly the U.S. has advanced its international competitive position since the early 1970s".⁶⁰ Overall, the number of Canadian firms setting up new plants or acquiring American firms more than doubled in 1976, a figure accounting for 22% of the foreign investment in the country that year.⁶¹ The point has now been reached where the traditional pattern of a net U.S. surplus of investment dollars into Canada has been reversed.

As noted, European firms are being attracted to the United States for the same reasons Canadian companies are. Moreover, it is logical to assume that America will continue to be viewed more favourably as a site for trans-Atlantic expansion if the business and political climate north of the 49th parallel fails to improve. Like the U.S. businessman, the Europeans also appear to be taking a wait and see attitude in regard to the Quebec situation.⁶² And while the Foreign Investment Review Act has become less of a screening barrier in its last year of operation, it nevertheless remains a deterrent. One authoritative analysis of the Act's

Phase II Guidelines concludes that the legislation presents a bias "which tends to favour foreign investors presently in Canada relative to prospective newcomers",⁶³ a fact which has the potential of rendering much of the Government's Third Option efforts null and void.

From the foregoing discussion, it becomes evident that the Framework Agreement is confronted by deep-seated structural barriers which will likely prevent any significant change in Canada's trade and investment orientation for some time to come. Faced with a 'less-than-desirable competitive position in manufactures - a situation partly arising from other Liberal Government measures - Ottawa has implemented a programme which it hopes will stabilize the situation and help revive a "lean and hungry" posture in the international market place. Without such a posture, there can be little hope of reducing, through a current account surplus, the balance of payments deficit which ties the country closely to New York money markets. Nor will it be possible to augment Community trade. But the very nature of the AIB (indeed, it could not even hope to succeed unless its rules were universally applicable) has produced just the opposite result. It has fomented a climate of uncertainty among investors, resulting in a drying-up of the dollars essential for capital expansion and industrial efficiency. Ironically, Canadian money is being diverted largely to the U.S., thus binding more closely the economic ties of the continent. Serious doubts also exist as to whether worker wage expecta-

tions have been lowered through the anti-inflation programme. And in terms of productivity improvement, Ottawa, being confronted with a chronic unemployment problem, is unwilling to risk its immediate political fortunes on the long-term benefits which would evolve from a free trade policy.

On another dimension, the Trudeau administration's efforts to become less tied to its southern neighbour are not without inherent contradictions. While FIRA, for instance, discourages American investors, it also makes Canada a less attractive place to locate for the Europeans, thereby weakening the intent of the contractual link. Given that investment requirements are sure to reach considerable proportions in the years to come, the Government will probably have little choice but to continue to promote its traditional area of strength - the resource sector. Being a "hewer of wood and drawer of water" would be an admission of Canada's failure to resolve its economic difficulties. If done on behalf of the European Community, it would violate the link's intent and indeed diminish the value of the Common Market as counterweight. All this being said, the prospects of success for the Framework Agreement are dismal.

c) Canadian Counterweight Foreign Policy in the 1970s: An Appraisal

Looking back three and a half years to the formation of our Third Option, it hardly seems reasonable that we could have made any other choice. Far from heralding a deterioration in Canada-U.S. relations, it has been followed by a perceptible and genuine improvement. We are now working

more on the basis of realities, not illusions. There are still problems, of course. There always will be in a relationship as intimate and varied as that between Canada and the United States. But they are on the whole different from and less abrasive than those that made up the list in 1972, and none of them appears incapable of solution.⁶⁴

Official assessments of Ottawa's latest counterweight efforts, such as this one enunciated in 1976 by then Canadian ambassador to Washington J.H. Warren, are predictably self-congratulatory. One is told that the idea of diversifying Canada's foreign relations has been accepted by the Americans as natural, provided its application remains non-discriminatory. We are informed that the Third Option has created a focal point for dealing with a great number of individual continental issues. It is pointed out that Mr. Sharp's call for "a comprehensive long-term strategy to develop and strengthen the Canadian economy...and in the process to reduce the present Canadian vulnerability" has been reflected in a number of recent decisions - for example, to withdraw the favourable tax status from the national editions of foreign-owned magazines, to require screening of takeovers and certain other categories of foreign investment, to seek to develop a contractual link with the EC - all of which have "given expression to the aspirations of Canadians for a greater sense of identity vis-à-vis the United States and may well have proved self-fulfilling in encouraging them to achieve it."⁶⁵

So goes the Government's justification for a foreign policy which has consumed much of its time and energy during

the last few years. Indeed, justification is probably deemed a political necessity for reasons which become evident when the above statements are assessed more critically. Has there, in fact, been "a perceptible and genuine improvement" in the North American interrelationship since 1972? Many observers think not. John Gellner recently commented that Canada's relations with the U.S. "have only been soured by the harping on the Third Option and, generally, by the verbiage of Canadian political, economic and cultural nationalism".⁶⁶ Thomas Enders, the American ambassador to Canada, remarked in a June 1976 U.S. News and World Report interview that Ottawa had to expect counter-action from Washington if it continued unilaterally to pursue policies that weakened its ties with America.⁶⁷ A May 1976 paper released by a group of fifteen powerful U.S. Republican congressmen expressed "rude surprise" at finding the two governments engaged in an exchange of "verbal and economic brickbats". "The deteriorating relations between the U.S. and Canada force us to re-evaluate the friendship we have long taken for granted", the congressmen warned.⁶⁸ The Canadian-American Committee, in a study entitled A Time of Difficult Transitions: Canada-U.S. Relations in 1976, asserted that Canada's counterweight efforts have caused tensions between Ottawa and Washington which were not likely to be relaxed in the near future. The report cautioned that this country, by attempting to pursue too many policy objectives at one time, was making bilateral cooperation difficult: "One is tempted to ask whether Canada

has given sufficient attention to the distinction between what is politically desirable in the short run and what is economically necessary in the long run", it said.⁶⁹

This latter point is worth pondering. Does the Third Option, as a long-term strategy, appear to be developing the basis for a stronger, less vulnerable Canadian economy, or does it reflect essentially a political response to conditions which existed in the early seventies but which are now of less relevance to both the voter and to the nation's general welfare? On the evidence presented in this chapter, it is easy to be cynical. High levels of inflation and unemployment, and the current trade dilemma do not support the notion that the economic outlook is improving. Indeed, the present problems seem to have supplanted the issue of excessive American influence in the country as a priority concern. At a time when U.S. investors look on their northern neighbour with little enthusiasm, Canadians are anxious to find jobs irregardless of who provides them. The truth underlined here is that a long-term foreign policy strategy - impressive though it might be on paper - never lasts more than a short while before unforeseen events intervene to necessitate it being shelved and quietly forgotten. The energy crisis, for instance, has been instrumental in dampening the EC's ability to act as an effective counterweight when at first it seemed that that body was equal to the task. Whether Mr. Sharp's proclamation was motivated by political opportunism or naive idealism is academic. What we have been left with in any

case is a negative response to the objectives of 1972. The United States has been put at arms length but the void created remains unfilled. It is the worst of both worlds. Contrast this to Ottawa's earlier counterweight efforts which were generally ad hoc in nature, and effective because of their immediate enactment.

Still, if the means can be roundly criticized, the objective of the Third Option - to achieve a more diversified external trade balance - remains a sound one. Washington's flirtations with protectionism in the recent past,⁷⁰ the September 1976 legislation introduced in Congress designed to prohibit U.S. subsidiary companies from trading with nations engaged in discriminatory boycotts,⁷¹ American quotas on Canadian beef imports,⁷² automotive strikes in Detroit which have resulted in lay-offs north of the border⁷³ - all are reminders that the drawbacks to excessive dependence are as real today as they have been in the past.

Accepting that the Trudeau Government's current counterweight efforts are less than adequate, and given that both diversification and strong U.S. economic ties are prerequisites for ensuring future independence and prosperity, what is to be done? One suggestion offered by Ronald J. Wonnacott in a 1975 study of Canada's trade options seems worthy of consideration.⁷⁴ The author poses what he terms his "two-sided triangle" solution, a scenario which involves bilateral free trade with the U.S. functioning simultaneously with bilateral free trade with Europe. Under such an

arrangement, Canadians would be allowed access to their two most important markets and in the process be provided preferences there against third countries. Moreover, it would ensure preferences for this country in each partner's market vis-à-vis the other partner, thereby opening the way for a more satisfactory dispersal of our international export trade. Wonnacott concludes that while this option would be less attractive economically for the U.S. and Europe than for Canada, it nevertheless would also provide the larger parties with benefits which might be very difficult for them to reject - for instance, the assurance that Canada would not become part of a rival trade bloc in the North Atlantic region. The key to implementing this design is, of course, the acceptance by those involved of the free trade concept. Presently, the likelihood of this being done is remote. But, if this barrier were overcome, Ottawa would be able to share in the fruits envisioned by those adhering to the continentalist school and, armed with a truly effective counterweight, not be susceptible to what many fear are the dangers of a closer North American interrelationship. Perhaps the future will show that the Framework Agreement's real value was in its ability to advance this arrangement in some small way.

NOTES - CHAPTER IV

- 1 Statements and Speeches, No. 76/33, 8.
- 2 In another major statement on the Framework Agreement delivered in late 1976, Mr. Cadieux spent only seven lines discussing the "political significance" (i.e. counterweight potential) of the link. /See Marcel Cadieux, "Framework agreement is the key to closer relations", International Perspectives (November/December, 1976), 47. A December 3, 1976 address to the Canadian Institute of International Affairs by another prominent government spokesman, External Affairs Minister Don Jamieson, was similarly oriented. There were high hopes for the contractual link, he said, but hopes "that are tempered by reality and which...could take some time to blossom". Before mentioning the "closer political kind of alliance" to eventually result from the Agreement, the Minister thought it would provide initially only "a better mutual understanding", followed by increased trade. /See Secretary of State for External Affairs, "Canada's International Responsibilities", Statement/Discours (December, 1976), 37. On another occasion, when asked if he anticipated a real shift in trade over the next ten years because of the link, Mr. Jamieson replied: "I doubt very much if anybody could say where the next 10 or 20 years are going to take us. But I have not the slightest doubt that circumstances will continue to dictate that we have a very, very high percentage of our trade with the U.S." /Cited in "Don Jamieson: Salesman turned diplomat", Executive, Vol. 18, No. 11 (1976), 607.
- 3 The Ottawa Citizen, 6 July, 1976, "Schizophrenia in economics".
- 4 Information exchange has been identified by one observer as the underlying theme of the Agreement's implementation to date. However, while the compilation of mutually agreed packages of data on laws, standards, and practices may be viewed as a key base for future development, Robert Boardman, in "Canada and the Community: one year after", The World Today, Vol. 33, No. 10 (1977), 395-404, is quick to put this achievement into a modest perspective. The Parti Quebecois election victory and the nuclear export problem (see note 14 below) are cited as two events which have overshadowed the link's first year of operation.
- 5 The following account of the JCC's opening session is derived from "No Problems During High-Level Consultations;

- Inauguration of Joint Committee", European Report, No. 379 (Dec. 11, 1976), 7; and "First Meeting of Joint Cooperation Committee Marks Start of Operative Stage of Agreement", European Report, No. 380 (Dec. 15, 1976), 2.
- 6 Mr./Cadieux, Statements and Speeches, No. 76/33, 7.
 - 7 See "First Initiative Following Signature of Framework Agreement", European Report, No. 402 (Mar. 16, 1977), 3-4; and "Increased Contact Between Canadian Businessmen and Common Market", European Report, No. 406 (Mar. 30, 1977), 1.
 - 8 Cited in The Globe and Mail, 26 March, 1977, "Canadian group pleased by talks with EEC".
 - 9 European Report, No. 406, op. cit.
 - 10 Cited in The Globe and Mail, op. cit.
 - 11 See European Report, No. 406 (Mar. 30, 1977), 1; and The Globe and Mail, 26 March, 1977, "Canadian group pleased by talks with EEC".
 - 12 The Globe and Mail, ibid.
 - 13 See "Talks On Nuclear Cooperation In Context of Framework Agreement", European Report, No. 426 (June 15, 1977), 3.
 - 14 Since January, 1977, Canada has refused to supply the Community with the uranium which it considers vital to its prosperity. This embargo has resulted from Brussels' inability to renegotiate its Euratom agreement with Canada on terms satisfactory to Ottawa. These terms stipulate that International Atomic Energy Agency safeguards and verification procedures be respected by all the EC member countries, but France, having not signed the Nuclear Non-Proliferation Treaty under which IAEA safeguards are administered has proven a stumbling block. No resolution of the problem resulted from the June 16-17 visit and as of September 1 the impasse still remained. (See The Ottawa Citizen, 1 September, 1977, "Uranium trade talks planned")
 - 15 See "Twice-Yearly Consultations July 5-7; Plan to Promote Joint Ventures", European Report, No. 431 (July 2, 1977), 2. If Canada-Community ties were slowly being strengthened by these various meetings, the cause of national unity in this country certainly was not. On July 27, the Parti Quebecois released documents which it said showed Ottawa's reluctance to grant the province its promised role in the industrial development sub-committee (The Globe and Mail, 28 July, 1977, "Chronicle of delay released by PQ")

- 16 See The Ottawa Citizen, 1 September, 1977, "Canada calls tenders for new jet fighters".
- 17 See The Toronto Star, 6 July, 1976, "Trade link to Euromart emphasizes consultation".
- 18 Cited in The Globe and Mail, 31 March, 1977, "Canadian link with EEC termed simply a framework".
- 19 Cited in The Globe and Mail, 19 August, 1977, "Link with EEC, now in 2nd year, has yet to bear fruit".
- 20 Figures derived from ibid., and The Globe and Mail, 31 March, 1977, "Canadian link with EEC termed simply a framework".
- 21 It should be kept in mind that international conditions affecting the outlook of the Framework Agreement are subject to constant change. The following analysis, which by and large is based on 1976-77 sources, may therefore already be out of date in some respects. However, wherever possible, an attempt has been made to utilize medium and long range projections in the discussion.
- 22 Cited in The Globe and Mail, 16 July, 1976, "Is the EEC falling apart?"
- 23 See the analysis of Philip Windsor, "European Economic Community beset by internal pressures", International Perspectives (Mar./Apr., 1977), 12-16.
- 24 See Martin U. Mauthner, "The Politics of Energy", European Community (March, 1974), 13-16. A comprehensive analysis of the subject has also been presented by Romano Prodi and Alberto Clo, "The Oil Crisis: in Perspective (Europe)", Daedalus, Vol. 104, No. 4 (Fall 1975), 91-112. The basic thesis of the authors' paper is "That the institutions entered the crisis period in a weakened state and were further enfeebled by it". (p. 91)
- 25 For the history and content of the snake arrangement, see Ian Davidson, "Prospects for monetary reform", The World Today, Vol. 28, No. 9 (1972), 377-85. Some of the problems of the system have been outlined by Conrad J. Oort in "The future of Europe's exchange rate policies", The World Today, Vol. 32, No. 8 (1976), 287-95. See also the analysis of The New York Times, 17 October, 1976, "Weak Europe Economies Grow Weaker".
- 26 See Michael Leigh, "Germany's changing role in the EEC", The World Today, Vol. 31, No. 12 (Dec. 1975), 488-97.

- 27 The problems involved are discussed by Henry Sturcke in "Fishing For a Common Policy", European Community (November/December, 1976), 30-33. The writer begins his article with the quip: "European Community progress often has to be measured in inches, but now it can be measured in nautical miles."
- 28 The results are cited and analyzed in The Montreal Gazette, 14 July, 1977, "More and more Britons want a divorce from the EEC".
- 29 See "Opinions of the economic situation in the Community", Official Journal of the European Communities, Vol. 20, No. C 172 (July 20, 1977), 12-19.
- 30 See "Feature Document: European Council, The Hague, November 29-30, 1976", European Report, No. 377 (Dec. 4, 1976), 1-3.
- 31 See Roy Jenkin's comments in "The United States and a Uniting Europe", European Community (Jan.-Feb., 1977), 17-23.
- 32 The Globe and Mail, 18 August, 1977, "China courting EEC for accord on trade".
- 33 Statements and Speeches, No. 76/33, 4-5.
- 34 P.E. Trudeau, in an interview on the CTV programme "A Conversation with the Prime Minister", mimeo (taped Dec. 23 for broadcast Dec. 28, 1975), p. 5.
- 35 Economic Council of Canada, Thirteenth Annual Review: The Inflation Dilemma (Ottawa: Ministry of Supply and Services Canada, 1976), pp. 101-15.
- 36 The following detail has been drawn from ibid., pp. 103-5; and OECD Economic Surveys, Canada (Paris: OECD, 1977), pp. 16-19, 33.
- 37 Economic Council of Canada, ibid., p. 108.
- 38 The latest ILO figures show that Canada had the worst record of 55 countries in 1976 for time lost due to labour disputes. Its average of 2.27 working days per worker surpassed even Italy's total. See The Ottawa Citizen, 22 November, 1977, "Canada tops list for time lost labor disputes". (However, unlike the other countries, Canada's average included time lost due to "political" strikes.)
- 39 Cited in The Globe and Mail, 15 March, 1976, "Executive cites business sense of Canadians".
- 40 Mr. Cadieux, in an interview cited in The Globe and Mail, 17 February, 1976, "Shape of EEC link now in negotiators' hands".

- 41 Cited in the Ottawa Journal, 26 February, 1975, "Europe asks: What does Canada want?"
- 42 See, for instance, Judith Maxwell, Policy Review and Outlook, 1976: Challenges To Complacency (Montreal: C.D. Howe Research Institute, 1976), ch. 3; or The Economic Council of Canada, Looking Outward: A New Trade Strategy for Canada (Ottawa: Information Canada, 1975); or Arthur J.R. Smith, "Canada's Competitive Position: An Appraisal of Basic Trends", The Canadian Business Review, Vol. 3, No. 1 (1976), 1-5.
- 43 The OECD, op. cit., p. 19, admits that its particular method of weighing together unit labour costs series for 13 major trading countries (which produces this finding) may not be as appropriate for Canada as it is for others given the relatively narrow base of Canadian manufacturing exports and the concentration on automotive equipment sold to only one market.
- 44 Ibid.
- 45 The deficit on dividend and interest payments increased by \$1 billion between 1974 and 1976, reflecting increases in both long-term interest rates and Canadian borrowing abroad. Overall, according to Lawrence J. Murphy in "Recent Developments in Canada's Balance of Payments", The Canadian Business Review, Vol. 4, No. 3 (Summer 1977), 35, a service account deficit in the range of \$7 billion in 1977 and about \$7.75 billion in 1978 is probable, with further increases to be expected thereafter.
- 46 Economic Council of Canada, Thirteenth Annual Review, op. cit., p. 110.
- 47 See Maxwell, op. cit., pp. 92-108.
- 48 While the Government publically supports the multilateral tariff-reducing objectives of the current Tokyo Round of GATT negotiations, it nevertheless has refused to lower protective barriers on such domestic problem industries as the textile trade.
- 49 These figures were cited by Alexander C. Tomlinson, an influential American investment banker, in a November, 1976 Toronto speech. See The Toronto Star, 10 November, 1976, "Our rampant nationalism irks U.S. lender". A detailed examination of this trend has been offered by Charles A. Barrett, "What is Happening to Foreign Investment in Canada? Economic Trends and Public Expectations", The Canadian Business Review, Vol. 3, No. 3 (Summer 1976), 41-44.

- 50 Ibid. See also Peter Cook, "Canada no longer is top choice", Executive, Vol. 18, No. 11 (1976), 53-54.
- 51 Herbert E. Meyer, "Canada's Nationalism Exacts a High Price", Fortune, Vol. XCIV, No. 2 (Aug. 1976), 179, 186.
- 52 See The Ottawa Citizen, 21 January, 1977, "Firms in U.S. 'holding off' on investment".
- 53 One need only observe the comments of some of the 800 business leaders who gathered for a Financial Post-sponsored, October 1976 Toronto conference on the subject, to be assured of this fact. See The Financial Post, 16 October, 1976 (special section), "Controls: now or forever?"
- 54 A series of articles, appearing in late June-early July, 1976, detailed the effect of such business uncertainties at the local level. See the initial piece, published by The Winnipeg Free Press, 25 June, 1976, "Business fears Canada courting disaster". Tom Kent, in "Industrial Policy: The Problem of Uncertainty", The Canadian Business Review, Vol. 3, No. 3 (Summer 1976), 20-22, beseeched the Government not to aggravate the dilemma unnecessarily by abruptly changing the rules under which business operates. A national industrial strategy was an urgent requirement, he said.
- 55 Robert Dickerson, of the royal commission investigating the concentration of corporate power, cited in The Winnipeg Free Press, ibid.
- 56 The amount of investment needed has been estimated at between \$735 billion and \$800 billion /Douglas D. Peters, "The Availability of Capital", Business and Economics, No. 1 (Toronto: Toronto Dominion Bank, 1975)/. The concern about the country's ability to meet these needs has been voiced by several authorities, including the Economic Council of Canada, Eleventh Annual Review, Economic Targets and Social Indicators (Ottawa: Information Canada, 1974), p. 236; and Carl E. Beigie and Richard Shaffner, HRI Observations, No. 3, Funding Canada's Investment Needs (Montreal: C.D. Howe Research Institute, 1974)
- 57 OECD Economic Surveys, op. cit., p. 37.
- 58 See The Ottawa Citizen, 8 June, 1977, "Executives wooed in attempt to lure investment into U.S.".
- 59 James E. McCarthy, "The Germans, the Dutch, the Japanese, the French, the Swiss, the Canadians, the British are coming", Across the Board, Vol. 13, No. 12 (1976), 21-29.
- 60 Cited in The Winnipeg Free Press, op. cit.

- 61 This, according to a Conference Board Survey in January, 1977, cited in The Ottawa Citizen, 8 June, 1977, "Executive wooed in attempt to lure investment into U.S." A July 1977 Conference Board survey found that Canadian investment in the U.S. was down in the first part of the year, in comparison to 1976 levels, but pointed out that this did not necessarily indicate a trend. (See The Ottawa Citizen, 18 July, 1977, "Canadian Investment in U.S. cut")
- 62 The Financial Post, 13 August 1977, "France's view on Quebec to keep French, stay Canadian" outlines the reasons for this. On the other hand, European investment was not easily come by before November 1976, which suggests that the overall effect on the contractual link's progress may be marginal. France, moreover, has increased its commercial activity in Quebec while carefully avoiding political issues. (See The Ottawa Citizen, 22 November, 1977, "French firms show interest in Quebec")
- 63 Tallat Abdel-Malek and Asit K. Sarkar, "An Analysis of the Effects of Phase II Guidelines of the Foreign Investment Review Act", Canadian Public Policy, Vol. III, No. I (Winter 1977), 48.
- 64 J.H. Warren, "Third Option can work well for both Canada and the U.S.", International Perspectives, Special Issue (1976), 9.
- 65 Ibid., 6.
- 66 John Gellner, "Canada and the Third Option", Executive, Vol. 18, No. 11 (1976), 51.
- 67 Interview with Thomas Enders, "Canadians Feel U.S. Has Played Too Big A Role In Their Affairs", U.S. News and World Report, Vol. LXXX, No. 25 (June 1976), 67.
- 68 See The Ottawa Citizen, 5 May, 1976, "Congressmen call for Ford-Trudeau summit to ease Canada-U.S. strain".
- 69 Canadian-American Committee, A Time of Difficult Transitions: Canada-U.S. Relations in 1976 (Montreal: C.D. Howe Research Institute; Washington, D.C.: National Planning Association, 1976), p. 53.
- 70 See The Toronto Star, 31 March, 1977, "U.S. protectionism means hard times ahead for Canada".
- 71 See the Ottawa Journal, 17 September, 1976, "Canada major victim of U.S. anti-boycott law".
- 72 See The Globe and Mail, 19 October, 1976, "Canada may face U.S. beef quota".

73 See The Globe and Mail, 15 September 1976, "Layoffs in Canada expected this week".

74 R.J. Wonnacott, Canada's Trade Options (Ottawa: Information Canada, 1975), pp. 136-41.

SELECTIVE BIBLIOGRAPHY

MONOGRAPHS

- Adams, E.D. Great Britain and the American Civil War. 2 vols. Gloucester, Mass.: Peter Smith, 1957.
- Aitken, H.G.J. American Capital and Canadian Resources. Cambridge, Mass.: Harvard University Press, 1961.
- Axline, W. Andrew; Hyndman, James. E.; Lyon, Peyton V.; and Molot, Maureen A. Continental Community? Independence and Integration in North America. Toronto: McClelland and Stewart, 1974.
- Barber, Joseph. Good Fences Make Good Neighbours, Why the United States Provokes Canadians. Toronto: McClelland and Stewart, 1958.
- Barkway, Michael. "United States Investment in Canada". Neighbours Taken for Granted, Canada and the United States. Edited by Livingston T. Merchant. New York: Frederick A. Praeger, 1966.
- Beckett, Grace. The Reciprocal Trade Agreements Program. New York: Russell and Russell, 1941.
- Brebner, John Bartlet. North Atlantic Triangle, The Interplay of Canada, the United States and Great Britain. Toronto: McClelland and Stewart, 1966.
- Brecher, Irving, and Reisman, S.S. Canada-United States Economic Relations. Ottawa: Queen's Printer, 1957.
- Canadian-American Committee. A Time of Difficult Transitions: Canada-U.S. Relations in 1976. Montreal: C.D. Howe Research Institute; Washington, D.C.: National Planning Association, 1976.
- Clark, Gerald. Canada: The Uneasy Neighbour. Toronto: McClelland and Stewart, 1965.
- Colvin, James A. "Sir Wilfred Laurier and the British Preferential Tariff System". Imperial Relations in the Age of Laurier. Edited by Carl Berger. Toronto: University of Toronto Press, 1969.
- Craig, Gerald M. The United States and Canada. Cambridge, Mass.: Harvard University Press, 1968.
- Eayrs, James. Canada in World Affairs, October 1955 to June 1957. Toronto: University of Toronto Press, 1959.

Geiger, Theodore. Transatlantic Relations in the Prospect of an Enlarged European Community, London: British-North American Committee, 1970.

Glazebrook, G.P. de T. A History of Canadian External Relations. London: Oxford University Press, 1950.

Godfrey, Dave, and Watkins, Mel., eds. Gordon to Watkins to You, Documentary: The Battle for Control of Our Economy. Toronto: New Press, 1970.

Gordon, Walter. A Choice for Canada, Independence or Colonial Status. Toronto: McClelland and Stewart, 1966.

Troubled Canada, The Need for New Domestic Policies. Toronto: McClelland and Stewart, 1961.

Hancock, W.K. Survey of British Commonwealth Affairs. Vol. II: Problems of Economic Policy, 1918-1939. London: Oxford University Press, 1940.

Harrison, W.E.C. Canada in World Affairs, 1949 to 1950. Toronto: Oxford University Press, 1957.

Holmes, John W. Canada: A Middle-Aged Power. Toronto: McClelland and Stewart, 1976.

Julien, Claude. Canada: Europe's Last Chance. Toronto: Macmillan of Canada, 1968.

Keenleyside, Hugh Ll. Canada and the United States: Some Aspects of Their Historical Relations. New York: Alfred A. Knopf, 1952.

Lamorie, Andrew. How They Sold Our Canada to the U.S.A. Gravenhurst: Northern Book House, 1963.

Levitt, Kari. Silent Surrender, The American Economic Empire in Canada. New York: Liveright, 1971.

Lloyd, Trevor. Canada in World Affairs, 1957-1959. Toronto: Oxford University Press, 1968.

Lyon, Peyton V. Canada in World Affairs, 1961-1963. Toronto: Oxford University Press, 1968.

MacDonald, Donald C. "The New Mercantilism: American Ownership and Canadian Sovereignty". The Star Spangled Beaver. Edited by John H. Redekop. Toronto: Peter Martin Associates, 1971.

Mackay, R.A., and Rogers, E.B. Canada Looks Abroad. London: Oxford University Press, 1938.

Masters, D.C. The Reciprocity Treaty of 1854. Toronto: McClelland and Stewart, 1963.

Maxwell, Judith. Policy Review and Outlook, 1976: Challenges to Complacency. Montreal: C.D. Howe Research Institute, 1976.

McInnis, Edgar W. The Unguarded Frontier: A History of American-Canadian Relations. New York: Russell and Russell, 1942.

McNaught, Kenneth. The Pelican History of Canada. Harmondsworth, Middlesex: Penguin Books, 1969.

Preston, Richard A. Canada in World Affairs, 1959-1961. Toronto: Oxford University Press, 1965.

Safarian, A.E. The Canadian Economy in the Great Depression. Toronto: McClelland and Stewart, 1970.

Shippee, Lester Burrell. Canadian-American Relations 1849-1874. New Haven: Yale University Press, 1939.

Smith, Joe Patterson. American Republican Leadership and the Movement for the Annexation of Canada in the Eighteen-Sixties. The Canadian Historical Association: Report of the Annual Meeting. Toronto: University of Toronto Press, 1935.

Stacey, C.P. Canada and the British Army, 1846-1871. Toronto: University of Toronto Press, 1963.

Strauss, William L. Joseph Chamberlain and the Theory of Imperialism. New York: Howard Fertig, 1971.

Tansill, Charles Callan. Canadian-American Relations, 1875-1911. Gloucester, Mass.: Peter Smith, 1964.

Thomson, Dale C., and Swanson, Roger F. Canadian Foreign Policy: Options and Perspectives. Toronto: McGraw-Hill Ryerson, 1971.

Thordarson, Bruce. Trudeau and Foreign Policy, A Study in Decision-Making. Toronto: Oxford University Press, 1972.

Villiers, Brougham, and Cheeson, W.H. Anglo-American Relations 1861-1865. Port Washington, N.Y.: Kennikat Press, 1919.

Warner, D.F. The Idea of Continental Union. Lexington: University of Kentucky Press, 1960.

Warnock, John W. Partner to Behemoth, The Military Policy of a Satellite Canada. Toronto: New Press, 1970.

Wonnacott, R.J. Canada's Trade Options. Ottawa: Information Canada, 1975.

ARTICLES

"After the Grey Report: An Industrial Strategy for Canada". The Canadian Forum, Vol. LI, No. 612-13 (1972), 27-64.

Baxter, Clive. "Canada-EC Relations". European Community, No. 182 (December, 1974), 6.

Boardman, Robert. "Canada and the Community: one year after". The World Today, Vol. 33, No. 10 (1977), 395-404.

Brecher, Michael; Steinburg, Blema; and Stein, Janice. "A Framework for Research on Foreign Policy Behaviour". The Journal of Conflict Resolution, Vol. XIII, No. 1 (1969), 75-101.

Bywater, Marion. "L'accord cadre entre la CEE et le Canada". Revue du Marché Commun, No. 199 (September, 1976), 369-72.

Cadieux, Marcel. "Framework agreement is the key to closer relations". International Perspectives (November/December, 1976), 3-7.

Camps, Miriam. "Sources of Strain in Transatlantic Relations". International Affairs, Vol. 48, No. 4 (1972), 559-78.

Canadians Feel U.S. Has Played Too Big A Role in Their Affairs". U.S. News and World Report, Vol. LXXX, No. 25 (June, 1976), 67.

Cohen, Dian. "Hard Choices for Canada's Economy". Saturday Night, Vol. 86, No. 12 (1971), 17-20.

Cook, Peter. "Canada no longer is top choice". Executive, Vol. 18, No. 11 (1976), 53-4.

Crookell, Harold. "Toward an Independent Strategy". Cost and Management, Vol. 46, No. 5 (1972), 41-45.

Dahrendorf, Ralf. "The Common Market, The United States and Japan". The Atlantic Community Quarterly, Vol. 9, No. 1 (1971), 61-67.

Deutsch, John J. "Recent American Influence in Canada With Particular Reference to Economic Factors and Canadian Reaction". The American Economic Impact on Canada. Edited by Hugh G.J. Aitken, et. al. Durham, N.C.: Duke University Press, 1959.

Dobell, Peter C. "Europe: Canada's last chance?". International Journal, Vol. XXVII, No. 1 (1971-72), 113-33.

"Don Jamieson: Salesman turned diplomat". Executive, Vol. 18, No. 11 (1976), 57-61.

Donneur, André P. "Canada's image in Europe still needs improvement". International Perspectives (March/April, 1977), 16-21.

Elliott, Geoffrey. "Enlargement of the EEC". Foreign Trade, Vol. 135, No. 15 (1971), 2-4.

"Entente, But No Trade Alliance". Time Canada, Vol. 104, No. 19 (1974), 6-8.

Europe, No. 1754 (May 26, 1975).

Europe, No. 1619 (October 25, 1974).

Ferguson, G.V. "Likely Trends in Canadian-American Political Relations". The Canadian Journal of Economics and Political Science, Vol. XXII, No. 4 (1956), 437-48.

Geiger, Theodore. "Toward a World of Trade Blocs?" The Atlantic Community Quarterly, Vol. 9, No. 4 (1971-72), 426-37.

Gellner, John. "Canada and the Third Option". Executive, Vol. 18, No. 11 (1976), 48-51.

Gough, G.R. "Canada's Future Role in the Nine". Canada Commerce, Vol. 136, No. 10 (1972), 2.

Halstead, John G.H. "Restoring relations with France and opening new doors to Europe". International Perspectives (January/February, 1975), 3-6.

Heeney, A.D.P. "Independence and partnership: the search for principles". International Journal, Vol. XXVII, No. 2 (1972), 159-71.

Holmes, John W. "Canadian External Policies Since 1945". International Journal, Vol. XVIII, No. 2 (1963), 137-47.

Humphreys, David. "Canada's link with Europe still not widely understood". International Perspectives, (March/April, 1976), 32-36.

Hurtig, Mel. "The Sharing has been done: now we need equitable dividing". International Perspectives, Special Issue (1976), 10-14.

Jenkins, Roy. "The United States and a Uniting Europe". European Community (January/February, 1977), 17-23.

Kinsman, Jeremy. "Pursuing the realistic goal of closer Canada-EEC links". International Perspectives (January/February, 1973), 22-27.

Kissinger, Henry A. "A New Atlantic Charter". The Atlantic Community Quarterly, Vol. II, No. 2 (1973), 151-60.

Langley, James. "Canada's dialogue with the EEC: problems of making it effective". International Perspectives (January/February, 1974), 28-31.

Lemelin, Claude. "Objectives viewed as too vague in Ottawa's approach to Europe". International Perspectives (January/February, 1974), 32-36.

Lorrain, L.H. "Prevailing economic conditions are placing new strains on the relationship between Canadians and Americans". Labour Gazette, Vol. 12, No. 3 (1972), 56-57.

Lyon, Peyton V. "Second Thoughts on the Second Option". International Journal, Vol. XXX, No. 4 (1975), 646-70.

"The United States: good friend and benevolent neighbour". International Perspectives, Special Issue (1976), 14-17.

Mahant, E.E. "Canada and the European Community: The New Policy". International Affairs, Vol. LII, No. 4 (1976), 551-64.

MacIntosh, R.M. "The Linkage of Issues in Canada-U.S. Relations". The Canadian Business Review, Vol. 4, No. 1 (1977), 32-35.

Matthews, Roy A. "Britain's Move Into Europe: The Implications for Canada". Behind the Headlines, Vol. XXXI, No. 5-6 (1972), 1-14.

McCarthy, James E. "The Germans, the Dutch, the Japanese, the French, the Swiss, the Canadians, the British are coming". Across The Board, Vol. 13, No. 12 (1976), 21-29.

McGee, Senator Gale. "The Atlantic Union Resolution". The Atlantic Community Quarterly, Vol. 10, No. 4 (1972-73), 541.

Miller, J.D.B. "The unassociables: the EEC and developed countries overseas". The World Today, Vol. 30, No. 8 (1974), 327-34.

Morgan, Roger. "Can Europe have a foreign policy?" The World Today, Vol. 30, No. 2 (1974), 43-50.

Murphy, Lawrence J. "Recent Developments in Canada's Balance of Payments". The Canadian Business Review, Vol. 4, No. 3 (1977), 32-36.

Newman, Peter C. "The U.S. and us". Maclean's Magazine, Vol. 77, No. 11 (1964), 11-14.

"New Strains Between Canada and U.S." U.S. News and World Report, Vol. LXXI, No. 17 (1971), 58-60.

"Opinions of the economic situation in the Community". Official Journal of the European Communities, Vol. 20, No. C172 (July, 1977), 12-19.

Pearson, Lester B. "Canada and the North Atlantic Alliance". Foreign Affairs, Vol. 27, No. 3 (1949), 369-78.

Pentland, Charles. "Linkage politics: Canada's contract and the development of the European Community's external relations". International Journal, Vol. XXXII, No. 2 (1977), 207-31.

Pilisi, Paul. "Both Europe and Canada can benefit from the link". International Perspectives (November/December, 1976), 8-11.

Ranger, Robin. "Canadian foreign policy in an era of super-power detente". The World Today, Vol. 28, No. 12 (1972), 546-54.

"Relations with the EC". International Canada, Vol. 5, No. 4 (1974), 74.

Robson, Maureen M. "The Alabama Claims and the Anglo-American Reconciliation, 1865-1871". Canadian Historical Review, Vol. XLII, No. 1 (1961), 1-22.

- Rodgers, Forrest. "The Sterling Area and the Dollar Problem". Behind the Headlines, Vol. XII, No. 7 (1953), 1-33.
- Sandwell, B.K. "North Atlantic-Community or Treaty". International Journal, Vol. VII, No. 3 (1952), 169-72.
- Sanger, Clyde. "Canada searching for new horizons and developing trade outlets". Commonwealth (April/May, 1975), 24.
- Sharp, Mitchell. "Canada-U.S. Relations: Options for the Future". International Perspectives (Autumn, 1972), 1-24.
- Shlaim, Avi. "The Paris summit". The World Today, Vol. 28, No. 12 (1972), 520-30.
- Smith, Arthur J.R. "Canada's Competitive Position: An Appraisal of Basic Trends". The Canadian Business Review, Vol. 3, No. 1 (1976), 1-5.
- Soames, Christopher. "Canada and the European Community". Behind the Headlines, Vol. XXXII, No. 6 (1974), 2-8.
- Stacey, C.P. "Britain's Withdrawal from North America, 1864-1871". Canadian Historical Review, Vol. XXXVI, No. 3 (1955), 185-98.
- "Fenianism and the rise of National Feeling in Canada at the Time of Confederation". Canadian Historical Review, Vol. XII, No. 3 (1931), 238-261.
- Stairs, Denis. "Publics and Policy-Makers: The Domestic Environment of Canada's Foreign Policy Community". International Journal, Vol. XXVI, No. 1 (1970-71), 221-48.
- Stevens, Geoffrey. "Mr. Trudeau Woos Europe". The Round Table, No. 260 (October, 1975), 401-09.
- Stevens, J.H. "Canadian trade policy: a fresh appraisal". Industrial Canada, Vol. 73, No. 3 (1972), 52-53.
- Taylor, L.J. "The Community as a World Trader". Canada Commerce, Vol. 136, No. 10 (1972), 6-7.
- Torrelli, Maurice, and Valaskakis, Kimon. "The Case for a new approach in Canada-EEC relations". International Perspectives (September/October, 1973), 18-22.

"Trade Relations with France". International Canada, Vol. 6, No. 6 (1975), 184.

"Visit of Prime Minister to Europe". International Canada, Vol. 6, No. 3 (1975), 59-63.

"Visit from Prime Minister of Great Britain". International Canada, Vol. 2, No. 12 (1971), 241.

"Visit of the Secretary of State for External Affairs". International Canada, Vol. 2, No. 4 (1971), 87.

"Wanted - An Economic Strategy for Canada". Industrial Canada (January/February, 1972), 11-15.

Warren, J.H. "Third Option can work well for both Canada and the U.S." International Perspectives, Special Issue (Winter, 1977), 5-9.

Windsor, Philip. "European Economic Community beset by internal pressures". International Perspectives (March/April, 1977), 12-16.

GOVERNMENT DOCUMENTS

Canada. Department of External Affairs. Communiqué, No. 21 (April, 1971), No. 62 (September, 1971), No. 70 (July, 1976).

Department of External Affairs. Statements and Speeches, Nos. 70/17, 72/8, 70/7, 70/17, 70/18, 72/2, 72/23, 74/12, 75/6, 76/21, 76/33.

Department of External Affairs. Transcript of the Prime Minister's Press Conference (October 2, 1974), Mimeo.

Department of Industry, Trade and Commerce. News Release, Nos. 8/71, 14/71, 18/71, 23/73.

Department of Industry, Trade and Commerce. "Notes for an Address By the Honourable Jean-Luc Pepin Minister of Industry, Trade and Commerce, At the Dinner of the Canadian Export Association/Canadian Manufacturers' Association, Chateau Laurier, Ottawa, March 27, 1972". Mimeo, 1-15.

House of Commons. Minutes of Proceedings and Evidence of the Standing Committee on External Affairs and National Defence, 28th Parl., 3rd Sess., Nos. 17 and 19 (March, 1971).

Office of the Prime Minister." Canadian Government Consultations on the Enlargement of the European Economic Communities". News Release, No. 28 (September 21, 1970).

Parliament. Debates (House of Commons), 28th Parl., 2nd Sess., Vol. IV (1970).

Parliament. Debates (House of Commons), 28th Parl., 3rd Sess., Vols. II, V, X (1970-72).

Parliament, Debates (House of Commons), 29th Parl., 1st Sess., Vol. VIII (1973-74).

Parliament, Debates (House of Commons), 30th Parl., 1st Sess., Vol. I (1974).

Parliament, Sessional Papers (House of Commons), No. 301-6/20 (November 5, 1974).

Royal Commission on Canada's Economic Prospects. Final Report, November, 1957. Ottawa: Queen's Printer, 1958.

Royal Commission on National Development in the Arts, Letters and Sciences, 1949-1951. Report. Ottawa: King's Printer, 1951.

Secretary of State for External Affairs. "Canada's International Responsibilities". Statement/Discours (December, 1976).

Secretary of State for External Affairs. Foreign Policy for Canadians. Ottawa: Information Canada, 1970.

Secretary of State for External Affairs. "Notes for a Luncheon Statement...on the occasion of the Signing of the Framework Agreement...Ottawa, July 6, 1976". Statement/Discours (July, 1976).

Senate. Proceedings of the Standing Senate Committee on Foreign Affairs, 28th Parl., 4th Sess., Nos. 3, 4 (1972).

Senate. Report of the Senate Standing Committee on Foreign Affairs: Canada's Relations with the European Community. Ottawa: Senate Standing Committee on Foreign Affairs, 1973.

Economic Council of Canada. Canada-United States Free Trade and Canadian Independence. Ottawa: Information Canada, 1975.

Looking Outward: A New Trade Strategy for Canada.
Ottawa: Information Canada, 1975.

Performance in Perspective. Ottawa: Information Canada, 1971.

Seventh Annual Review. Ottawa: Queen's Printer, 1970.

Thirteenth Annual Review: The Inflation Dilemma.
Ottawa: Ministry of Supply and Services Canada, 1976.

Europe. Commission of the European Communities. Communication from the Commission to the Council. EEC/Canada Relations: Possible Trade Agreement (September 13, 1974), SEC (74), 3372 final.

Commission of the European Communities. "Community-Canada Agreement". Bulletin of the European Communities, No. 6 (1976), 11-13.

Commission of the European Communities. "The Community Programme for Industrial and Technological Policy". Bulletin of the European Communities, Vol. 6, No. 5 (1973).

Commission of the European Communities. "Council Accepts Principal of Negotiating a 'Cooperation Agreement' with Canada and Gives Instructions for Community Position to be studied". Europe: Agence Internationale D'Information pour la presse, No. 1776 (June, 1975), 5.

Commission of the European Communities. European Report, Nos. 178, 180, 185, 209, 213, 233, 241, 269, 272, 276, 339, 353, 359, 371, 377, 379, 380, 402, 406, 426, 431.

Commission of the European Communities. "The First Summit Conference of the Enlarged Community". Bulletin of the European Communities, Vol. 5, No. 10 (1972).

Commission of the European Communities. "The First Summit Conference of the Enlarged Community (II)". Bulletin of the European Communities, Vol. 5, No. 11 (1972), 67-71.

Commission of the European Communities. "Industrial and Technological Policy". Bulletin of the European Communities, Vol. 7, No. 3 (1974), 62-63.

Commission of the European Communities. "Memorandum from the Commission on the technological and industrial policy programme". Bulletin of the European Communities, Supplement 7/73.

Grey, Herb. Foreign Direct Investment in Canada. Ottawa: Information Canada, 1972.

"Joint Communiqué of the Meeting Between the Delegation of the European Parliament and the Delegation of the Canadian Parliament in Ottawa, 1 November, 1973". International Canada, Vol. 4, No. 11 (1973), 317-18.

OECD. Economic Surveys, Canada. Paris: OECD, 1977.

Science Council of Canada. Innovation in a Cold Climate: The Dilemma of Canadian Manufacturing. Ottawa: Information Canada, 1971.

United States Tariff Commission. Reciprocity and Commercial Treaties. Washington: Government Printing Office, 1919.

NEWSPAPERS

The Globe and Mail
Halifax Chronicle Herald
Montreal Gazette
The Ottawa Citizen
Ottawa Journal
Times (London)
The Toronto Star
The Vancouver Sun
The Winnipeg Free Press
New York Times

END

INN