

D. RELEVANCE FOR A CANADA - U.S. ARRANGEMENT

Some caution is advisable in attempting to apply lessons from the EEC experience to the situation in North America. There are some important differences, especially the following:-

1. The EEC is a common market, to some extent still in the making, heading towards economic, and perhaps eventually political, union. Entry into the EEC entails ceding sovereignty to a much greater extent than is the case in a free trade area. EEC institutions have supra-national powers. There are no provisions in the Rome Treaty to cover a situation where a member state wishes to withdraw. Presumably in the last analysis it could do so. However, as long as it remains in, it is required to comply with the decisions and directives of community organs. All of this entails problems (and benefits) that are not met in a more limited trading arrangement. Conversely, where there is no common external tariff or harmonization of economic and social policies, there can be distortions in the conditions of competition and deflections in trade which are not found in an EEC-type system.

2. In contrast to the Canadian situation, political considerations have provided a major impetus to economic integration in Europe.

3. The EEC started with six members, the three largest having approximately the same population. The decision-making process, with unanimity required on some matters and qualified majorities on others, makes it difficult for certain combinations of countries to dominate the Community and strengthens the position of the smaller ones. This again differs greatly from the Canada-U.S. situation where we would be dealing, one on one, with a partner which has nine times our population and ten times our output of goods and services.

4. Canada-U.S. trade is much less restricted than was that between the EEC countries in 1958. Tariff levels are a great deal lower. We have the Autopact,