

The Europeans are trying to forge common industrial and technological policies and action on an internal basis. Cooperation between EEC and Canadian interests could be excluded were it not for the attractive state of the Canadian technological art in certain areas and existing institutional and other links between Canada and the enlarged EEC. Moreover, common action in the EEC in this area is thus far only token.

Why should Europeans bother with Canada? There are, of course, obvious European material interests in the potential of Canadian development. The alternative to the success of Canada's third option could be a North American economic bloc dominated by the U.S. economy that would, among other things, reduce the possibilities of EEC access to Canadian industrial materials and energy resources under conditions of increasing scarcity.

The inability of Canada to represent a point of view independent of the U.S. and the EEC would also need to be seen as a loss from the European angle, one that could aggravate any confrontation between the United States and Europe.

#### Year of Europe'

The possibility of such a confrontation needs to be taken seriously; "1973 will be the year of Europe" Henry Kissinger has said. On such fundamental questions as international trade and monetary reform, and on bilateral and other economic issues, there is misunderstanding about respective motives and intentions, and often basic disagreement on essentials. On many of these issues, Canadian views have tended to be closer to those of Europeans than of Americans.

Recently, there has been a tendency to place Canada in the U.S. "natural orbit" in a tri-polar trading world based in the areas of natural influence of Japan, the EEC, and the United States. This may be a natural assumption on the part of people attracted to such simplistic notions of "spheres of influence," but would run counter to the whole postwar history of attempts to liberalize world trade and emphasize the interdependence of the trading system. More important to Canadians, this just doesn't make any sense in terms of our attempts to diversify, nor does it make much sense in terms of our industrial development. Continental geography can be deceptive; Canadian industrial raw materials and energy potential in the Arctic might well have more convenient and "cleaner" access by sea to either Europe or Japan than overland to the United States.

The Europeans are increasingly aware of the independence of Canadian interests as the specific mention of Canada in the communiqué of the summit meeting of European leaders in October illustrates. In order to ensure the harmonious development of world trade, the European Community affirmed that it should "maintain a constructive dialogue with the U.S.A., Japan and Canada and the other industrialized Community partners in an outward-looking spirit and using the most appropriate forms".

From Canada's point of view, this "recognition" has not been achieved easily. While it was becoming clear from the different tack Canadians were taking in many areas of foreign policy (NATO, China, the U.S.S.R.), it was not until the distinctiveness of Canadian concerns emerged most vividly in the aftermath of the August 1971 U.S. trade measures and when we "stood our ground" last December at the Washington meeting of the Group of 10 that the Europeans appeared to drop the assumption that their approach for the U.S. would more or less do for Canada as well.

The unequivocal congratulations Prime Minister Trudeau conveyed to Prime Minister Heath on the occasion in January 1972 of the British signature of the Treaty of Rome strengthened the EEC's view in our favour. We had reacted favourably to Britain's entering the Community for a few simple reasons: First, we considered it was Britain's decision to make and it appeared to be the right one for the British; second, we had anticipated that this could strengthen Canada's long-term relation with the Community; third, since Britain was going into the EEC in any case, we should try to be as constructive as possible about what was inevitable.

#### Impact on Canada

The EEC appreciated that an easier alternative would be for us to limit ourselves to continued complaint about the impact of enlargement on Canada. About half our exports of \$1.5 billion to Britain will, at the end of the transitional period in 1978, receive less favourable access. We saw, however, that continued complaint would not change the terms of access in any significant way and recognized that, in any case, the potential of Canada-EEC relations could more than compensate for any short-term losses in the British market. (A good analysis of the possible trade impact of British entry is that of Roy Matthews in the October 1972 issue of *Behind the Headlines*, published by the Canadian Institute of International Affairs.) While

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