



## STATEMENTS AND SPEECHES

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CANADA AND THE NORTH ATLANTIC COMMUNITY:  
AN ECONOMIC VIEW

A paper presented by the Assistant Deputy Minister, Department of Finance, Mr. K.W. Taylor, to the Royal Society of Canada-Section II- at the Quebec Meetings, June 3, 1952.

...The community of the North Atlantic is both quite old and quite new. Its origins can be dated back to Christopher Columbus and John Cabot, or at least to 1776. On the other hand it can date from April 4, 1949. It is both three years and three centuries old. Its beginnings can be found in the great transformations of the first Elizabethan age which shifted the centre of gravity of European power from the Mediterranean to the Atlantic sea-board; yet a later generation may identify the period of its birth with the opening of a second Elizabethan era. These alternative views depend upon whether we regard the North Atlantic community as a basic fact of geography, politics and economics, or whether we think of it in terms of conscious organization.

The boundaries of our community are similarly imprecise. The area covered by the North Atlantic Treaty is, of course, clearly defined. In its first stage it included twelve nations, all of which, except Italy, face on the North Atlantic, and it embraced all their territories in Europe and North America, including areas in Europe under occupation by their forces together with all their Atlantic island possessions north of the Tropic of Cancer and French North Africa. The recent accession of Greece and Turkey to the North Atlantic Treaty has extended the boundaries of the Treaty area beyond the area which in basic fact constitutes the North Atlantic community. On the other hand, Ireland, Sweden, Switzerland, and perhaps Spain, are in fact a part of our community, but they are outside NATO. NATO, in short, represents the beginnings of an attempt at the conscious organization of the North Atlantic community, but it is not it.

The North Atlantic community comprises a closely-knit area the peoples of which have fundamentally a common heritage, a common view of life, common patterns of thought, common interests, and who subscribe to the broad principle of the primary value and dignity of the individual. These peoples and territories have shared a common trend of economic development and their present economic structures are closely interwoven by ties of trade, communications and investment, and are based upon a common technology and a common pattern of business practice and organization. Broadly speaking, its area is not dissimilar from that of

Western Christendom. On a map the Stettin-Trieste line of the Iron Curtain roughly defines its present eastern limits, and the Canadian and American Pacific coasts its western boundaries. But there are areas outside these limits that are closely tied to or in some respects form part of this area of community interest. The former include the colonial dependencies of Western Europe, the latter such countries as Australia and New Zealand and some parts of Latin America.

It is clearly the present desire, purpose and policy of the peoples of the North Atlantic area to organize and develop this sense of community; but of the forms and directions of this development there has not yet emerged any clear view. One of the confusing elements at present is the number, complexity and variety of groupings that have sprung up like mushrooms during the past five years: NATO, OEEC, EPU, EDC, the Brussels Treaty Powers, the Council of Europe, Benelux, the Nordic Group, - all these, and more, are composed of as few as three and as many as eighteen members. Twenty countries in all are members of one or more of these organizations. Some of these groupings are clear-cut groups organized for a specifically-defined purpose; others appear to be groping toward some end that is seen only in a glass darkly. The very proliferation of these groupings indicates both the vitality of the idea of closer integration and the present confused state of thinking about it. At the same time many of the countries that comprise the North Atlantic community are members of much wider groups that extend far beyond the North Atlantic area, e.g., the United Nations, the Commonwealth of Nations, the Pan-American Union, or the Colombo Plan.

With nations, as with individuals, the idea of community is neither exclusive nor singular. It is consistent with many concentric and overlapping circles, each commanding its own degree of loyalty or carrying its own quality of emphasis. Efforts to build, strengthen and enlarge the North Atlantic community should not sever or weaken our links with other larger or smaller groups. A developing sense of community in the North Atlantic may cause some of these other associations to wither away; it may greatly strengthen and enrich others. It is not necessary (indeed, it may do harm) to envisage the North Atlantic community as moving toward a full political union - a new super-state, with the rigidities and exclusiveness that that implies. What we seek is rather an area of closer common understanding in which the habit of practical co-operation grows and flourishes, and thus provides an assurance of strength and security, of expanding freedom and a good life.

A community in the North Atlantic area has existed for a very long time. Why have we so suddenly become conscious, or at least articulate about it? The answer, I think, is fear. For the first time in 600 or 1000 years - since the threatened invasions of the Moors or Tartars - Western Christendom is seriously threatened from without. Until quite recently, "the world" for us consisted of the nations grouped around the circle of the North Atlantic. Until quite recently, the great powers of this area held a virtual monopoly of both military and economic power. History, as most of us learned it, was the story of the struggle for advantage, the jockeying for position among these powers.

It emphasised our internal conflicts, exaggerated our differences and largely ignored the extraordinary degree of common thought and common interest that really pervaded the whole area. The rest of the world was either irrelevant or too weak to concern us. We could afford to quarrel among ourselves, and we did not fail to do so.

All this has rather suddenly changed. We are now challenged by an external coalescence of power - military, economic and ideological - that seriously threatens our physical security and our established way of life. We are becoming aware of our common heritage and interests, and that we are a community.

Canada obviously belongs to this community. We started as an outpost of Western Europe; during the 19th century we began to grow into this community; now we are an integral part of it. But this is only one of three overlapping communities membership in which strongly affects the course of our development. We are part of the community of North America, the community of the Commonwealth, and the community of the North Atlantic. In economic affairs our North American relations are by far the most important. A generation ago the well-being of the Commonwealth community ranked a close second in its importance to us. Now we realize, as a result of the decline in the relative position of the United Kingdom, that the restoration and maintenance of a viable Western Europe is for us a major national interest. All three of these associations are important to us. Concurrent membership in them sometimes presents problems of reconciliation of interests, but fundamentally they do not conflict. It seems clear to me, indeed, that strengthening and enriching the community of the North Atlantic is the best way to guarantee that our Commonwealth associations will grow and flourish.

Our close economic integration into the North Atlantic community is so apparent that it needs no extended demonstration. Our whole economic history has been a story of expansion in response to the requirements and the resources of the North Atlantic area. Fish and furs, lumber and wheat, newsprint and base metals - all have been developed and conditioned by our North Atlantic circumstances. Of our exports, 80 per cent find their home in this area, and 90 per cent of our imports come from within it. Our total trade outside this area is important in absolute terms and for particular industries and regions. But valuable as our trans-Pacific trade has been, Vancouver's growth in response to the Panama Canal, which provided access by water to the North Atlantic, far exceeded that created by trans-Pacific traffic. Practically all imports of capital and by far the greater part of our immigration have been transfers within the North Atlantic group, and the basic structures of all our transport and communication systems fit in to a North Atlantic pattern. While we have interests in the Pacific in no substantive sense are we a Pacific power.

The integrity of Canada as a national community depends upon the preservation and well-being of both the Commonwealth and the North Atlantic community. In the decades between the two wars, the United Kingdom and the United States each took about one-third of our exports, and the remaining third was about equally divided between

Western Europe and the rest of the world. On the import side, the United States supplied three-fifths or more of our requirements, the United Kingdom between one-quarter and one-fifth and the remainder came about equally from Western Europe and the rest of the world. Since the war, the weakness of the United Kingdom and the European segment of our North Atlantic community has shifted this pattern. The United States as a market for our exports has gone up from less than 40 per cent to more than 60 per cent, and as a source of our imports from the 55-65 per cent range to 70 per cent or higher. The trans-Atlantic members of our community used to take almost exactly half our exports; now they take less than one-third. We used to get nearly 30 per cent of our imports from the U.K.-Western Europe area, now we get less than 20 per cent.

It is in Canada's national interest that our markets and our sources of supply should be reasonably well diversified. We could hardly get into a position where the United States was almost our sole market and sole supplier and retain indefinitely the substance of our independence. Our independence, that is, our capacity to make a choice of policies, has in the past been based upon a reasonable balance between the gravitational pull of the United States and the United Kingdom. These two forces are now seriously unbalanced. The relative economic power of the United Kingdom is not likely to recover to a point where it can restore this balance. To the weight of the United Kingdom must be added the weight of a healthy Western Europe (and in addition all the Pacific and Latin American trade that we can build). We like the Americans, we get on well with them, and that is fortunate because we have to live beside them. But we also want to remain an independent national state. If we are to avoid eventual de facto absorption we need a reasonable balance of economic relationships with and in other groups.

It is true that, statistically speaking, our dependence on the North Atlantic area has really been a reflection of our close economic ties with the United Kingdom and the United States. Our trade with these two countries alone has rarely fallen below two-thirds of the total. We have come to recognize the Canadian position as the apex of a United Kingdom-Canada-United States triangle. The present fact is that the United Kingdom is unable to sustain its corner of the base, and this has brought out into the open the long-existent fact that, while Canada needs a prosperous United Kingdom, the United Kingdom is equally dependent upon a prosperous Western Europe. Hence Canada's interest in the preservation and development of the Western European segment of the North Atlantic community. If Western Europe is torn away from our community or if it becomes economically ineffective - a liability rather than an asset, the United Kingdom in turn is undermined, and we face the prospect of limitation within a North American orbit.

We also have an interest in promoting the North Atlantic community as an alternative to a discriminatory trading bloc in Western Europe. We should have no objection to the development of customs unions or the enlargement of genuine free-trading areas in Europe. But we would not welcome the growth of discriminatory tariff or trading arrangements that excluded us from the European market.

In summary, Canada is a member of a Commonwealth community and a North Atlantic community, and it is of vital importance that these grow and flourish if we are to retain in the long run our national identity. At the present juncture it seems clear that priority of emphasis must be toward our North Atlantic associations, because if that community disintegrates, the Commonwealth association will inevitably follow. If the North Atlantic community can be sustained we may be able to find an easier answer to the question recently posed by Professor Brady: "Will Canadians be content to win autonomy in the British Empire and lose it in North America?"<sup>1</sup>

If it be agreed that a North Atlantic community, healthy and flourishing in all its parts, is a major Canadian interest, what can be done toward realizing it? Canada has already made a significant contribution by the degree of initiative it took in proposing the idea of a North Atlantic alliance, and in making it more than a military alliance by insisting upon the incorporation of Article 2 into the North Atlantic Treaty.<sup>2</sup> Little has yet been done to make progress along the lines of Article 2. At the moment defence problems and needs are so pressing that probably not much can be done and, therefore not much should be attempted. But we should remember that Article 2 is there, and study and thought should be applied now to the lines of progress that may be developed usefully when the appropriate time comes.<sup>3</sup> In this connection we do well to be suspicious of grandiose schemes and intricate multilateral pacts. One of the most exhausting and usually least fruitful ways of spending scarce time is to try to negotiate elaborate multilateral agreements among a dozen or more members even when they are a friendly group with common interests.

It seems to me that progress can be made first by strengthening the habit of friendly consultation and co-operation on questions as they come up from day to day - most of it proceeding through normal and unspectacular channels. Secondly I think that at this stage thought can most usefully be given to making progress on a considerable number of questions which may seem small in themselves;

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<sup>1</sup> International Affairs, April 1952, p. 195.

<sup>2</sup> The preamble (in part) and Article 2 read as follows:

"The Parties to this Treaty.....seek to promote stability and well-being in the North Atlantic area....  
Article 2. The Parties will contribute toward the further development of peaceful and friendly international relations by strengthening their free institutions, by bringing about a better understanding of the principles upon which these institutions are founded, and by promoting conditions of stability and well-being. They will seek to eliminate conflict in their international economic policies and will encourage economic collaboration between any or all of them."

<sup>3</sup> At the Ottawa session of the North Atlantic Council in September 1951, a Ministerial Committee was set up to examine and report on this matter.

but an accumulation of relatively small amenities can soon build up into a substantial advance.

By way of illustration I may mention a few of these smaller matters. There are numerous and often irritating procedural problems affecting the international movement of both goods and people. Simplification and standardization of required documents and forms is much to be desired. Standardization or reciprocal acceptance of each other's standards in the field of food and drug regulations, the labelling of goods, size of containers, safety standards for electrical and other appliances is another area where useful progress could be made. Simplifying the documentation and the screening processes on the movements of people has been complicated by the development of organized fifth column techniques, but further thought might satisfy us that the advantages of freer movement of persons may exceed the risks of having a few more subversive characters in our midst.

Several European countries are already considering the question of reciprocal extension of the right to social security benefits to each other's nationals after a reasonably short waiting period. This offers interesting possibilities. As a country of fairly heavy net immigration such a practice would probably cost us money. Whether that would be money well spent is a proper question for study. Facilities for short-term and intermediate-term migration of labour are an interesting development, already operating on a limited scale in certain parts of Europe. Questions of this sort naturally lead to the question of common or dual citizenship. This is a large and complex question, but progress could be made in that direction, if desired, by developing the suggestions noted above, which would have the effect of blurring the present sharp distinctions of nationality and citizenship.

Finally, while multilateral agreements have their place and value, progress will be much slower if we rely too heavily upon them. Much better progress, with room for experimentation and the growth of experience, can be made through numerous bilateral or small group arrangements. There may also be occasions when exemplary unilateral action would start things moving in the right direction, but I recognize that even among international friends there is a stiff bargaining process, and that no country readily gives up a possible bargaining counter without trying to secure some quid pro quo.

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