

S U M M A R YFIRST IMPRESSIONS OF CANADA

1. Delayed first impressions, and why. The implications of the size and relatively small population of Canada (Paras. 1 - 3).
2. In-built tension between Ottawa and the Provinces. The outlook is for more harmonious relations. The new Government should seize the opportunity while the going is good (Paras. 4 - 7).
3. Canadians pay themselves more than they can afford. Will the new Government impose the necessary financial discipline? (Paras. 8 - 9).
4. Canada uncertain of its role in the world; stranded between Europe and the United States. In our own interest to make Canada feel more part of the Western team (Paras. 10 - 13).
5. Relationship with United Kingdom good and extensive. Much activity that is not apparent at first sight (Paras. 13 - 15).
6. Opportunity to establish closer and more beneficial relationship with the Mulroney Government than was possible with Trudeau. We shouldn't miss the chance (Paras. 16 - 17).



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BRITISH HIGH COMMISSION
80 ELGIN STREET
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22 November 1984

The Rt Hon Sir Geoffrey Howe QC MP
etc., etc.,
Foreign and Commonwealth Office
London SW1A 2AH

Sir,

1. I have delayed these first impressions until I have had an opportunity to see something of Canada outside Ottawa and until the new Government which took office on 4 September has had a chance to show its paces.
2. One of the first things that must strike any newcomer to Canada must be the sheer size of the country. East to West, it covers the same distance as from London to Tehran. Vancouver Island, that apparently small blob off the West coast, is larger than England. Vancouver itself is nearer to Tokyo than it is to Newfoundland. Yet this vast expanse, the second largest country in the world, supports a population less than one half that of the United Kingdom and only just over a tenth of that of the United States.
3. These geographic and demographic factors have an effect upon Canada and Canadians. They certainly influence the relations between the Federal Government in Ottawa and the Provinces.

OTTAWA V. THE PROVINCES

4. Canada is not the united country that I thought it would be. The national fervour that surfaces during an Olympic Games is only skin deep. Tension and animosity have hitherto characterised the relations between the Provinces and the Centre. The former Prime Minister, Pierre Trudeau, had much to do with this. I had not appreciated how deep and widespread was the distrust and dislike of Trudeau. I've scarcely heard a good word for him since my arrival. He certainly aggravated the tension with the Provinces by displaying a mixture of contempt and disregard.

.../Ottawa



Ottawa, under his régime, and particularly the latter years, became a dirty word in the Provinces.

5. One cannot, however, place all the blame on Trudeau. The confederal nature of the Canadian Constitution provides for inbuilt stress between its component parts which will remain part of the system. Ottawa will inevitably have its differences with the Provinces: the Provinces will differ between themselves. This is as natural in Canada as is the struggle between the Executive and Legislature in Washington.

6. There are, however, signs that the climate is changing. The confrontational style of Trudeau has given way to the conciliatory instincts of Mulroney. Consensus is now the goal. The Prime Minister has already held his first meeting with Provincial Premiers: «We agreed on everything» the Premier of New Brunswick told me. The agenda is now set for a second meeting in February to enable the Government to consult the Provinces in advance of the Spring Budget. We can look forward to a period of greater understanding, even if not full agreement.

7. Ottawa and the Provinces must also grapple with the problem of Quebec, which has still not subscribed to the patriated Canadian Constitution. This will be a test for the new-found harmony. Yet even here, my impression is that there is some hope. I find that many Canadians are weary of inter-Provincial squabbling and want to devote the national energies to the serious problems of job creation and economic expansion. There is a «window of opportunity» for the new Government to handle the Quebec problem and other Provincial issues. It will not last indefinitely. The Government will need to move soon if the opportunity is not to be lost.

THE ECONOMIC DILEMMA

8. The Government have already made their first moves in dealing with Canada's economic problems. The fiscal deficit has grown rapidly in recent years. The forecast deficit for 1984/85 is \$34.5 billion. One tax dollar in four goes to paying the interest on the debt. The Government have made the attack on the deficit its first priority. How has the situation arisen?



9. One reason must be that Canadians have created for themselves a higher standard of living than they can, as a nation, afford. This, too, strikes a newcomer forcibly. Life is good, and comfortable, for the average Canadian. The second car, good homes, the holiday cottage in the country, the yacht or speedboat, a winter holiday in Florida or Hawaii are not confined to the very wealthy. Salaries in general are high. A first-job secretary in Toronto will earn around £10,000 p.a: a senior Civil Servant in Ottawa will receive up to £69,000 p.a. «We are spoilt» the Lieutenant Governor of Quebec volunteered to me. He is right. The big question over the coming year or two, is whether Canadians are prepared to accept the financial discipline required to set their national economic house in order. This will be one of the greatest tests of Mulroney's powers of persuasion and decision.

CANADA'S ROLE IN THE WORLD

10. What of Canada's view of the outside world? Dean Acheson commented, of Britain in the early 60s, that we had lost our Empire and had not yet found a role. The lack of a role applies equally well to Canada in the 1980s. They have a genuine problem. Though geography places Canada within the American continent, Canadians do not regard themselves as Americans. They certainly don't want to become, or to be regarded as, a junior partner to the United States. They have not identified a role for themselves in the American continent as a whole. They have not joined the Organisation of American States - yet. The great majority of them feel more European than American. Yet geography has cut them off from Europe. They can't join the European Community. They have the Commonwealth but this does not provide them with a firm political or economic base. They are part of NATO, but even there feel somewhat on the sidelines. (That may be their own fault). The European countries within the Alliance get together in the Euro Group. «Europe» talks to «the Americans», though by the Americans we in fact mean the United States. How often have we included the Canadians in our thinking when we talk of the Americans? You, Sir, during your recent conversation with the new Canadian Defence Secretary, referred to the Canadians as «honorary Europeans». This highlights their difficulty. They do not want to be «honorary» members of any group. They want to be full members of some team, but cannot find the



right one to join. Or perhaps it is the case that they have difficulty in finding any team that will recognise them as full playing members.

11. This lack of an obvious international personality helps to explain to me why Canada has been tempted in the past to strike out on its own on certain international ventures. Trudeau was the classic example of this. If he could not cut a dash within the European world, then he would seek to play a leading and intermediary role in the North/South dialogue. Or he would appear as champion of the Third World. Or, in his later days, would pose as the conscience of the world in seeking to achieve arms control and disarmament. My impression is that Mulroney will not be disposed to follow Trudeau's example. If, however, we want (as we should) to keep Canada within the main stream of European and Western thinking on international issues it will be up to us to make her feel a welcome and valued member of the club. This should be easier with a team player like Mulroney than it was with an individualist like Trudeau.

12. The change of government in Ottawa, in fact, opens up a number of new prospects and opportunities. I have referred to the new-found spirit of conciliation. There are those who tell me that this will be only a passing phase; that before too long all the old problems between the Provinces and Ottawa will be revived; that economic difficulties such as the Federal deficit and unemployment will undermine confidence between the Government and the people; that the honeymoon with the United States will end in a flaming row over some issue such as protectionism, or extra-territoriality or who knows - Nicaragua? I prefer to take a more optimistic view. Canada, it seems to me, has reached something of a watershed in its development. It may have found in Mulroney, a bilingual Quebecker of Anglophone Irish descent, someone who can give Canada and all Canadians a sense of purpose and pride, and who can mobilise the energies and resources of the country to an extent that none of his predecessors were able to achieve.

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THE UNITED KINGDOM AND CANADA

13. Against this background what of the Anglo-Canadian relationship? The accepted wisdom that was offered to me by some before my departure and since my arrival here was that things were not what they were and that something (unidentified) must be done about it. This was the message that John Turner brought to Chequers during his brief and only visit to the United Kingdom as Prime Minister. It is a theme that I have since heard from senior officials in the Department of External Affairs and from the new Secretary of State, Mr Clark. How valid is this lament?

14. Certainly things are not as they were 40, 30 or even 20 years ago. The reason is that much has happened since then. The Empire has gone and so has Commonwealth preference. Canada has slipped into the United States' political and economic orbit. We have joined the EC. Our relationships with each other, and with the rest of the world, have had to re-adjust to the changes taking place around us. Relationships between Canada and the United Kingdom are different. But we should not assume from that that they are no longer deep and extensive.

15. I have been impressed since my arrival here by just how extensive the relationship still is. Leaving aside the United States, which is in a league of its own, the United Kingdom is still the second largest investor in Canada. We also buy more of Canada's manufactured goods than any other country. Britain is still the major overseas destination for Canadian tourists. In 1983 there were over half a million visits by Canadians to Britain, a 25% increase over the previous year. Every year some 10,000 British troops visit Canada for training: one third of ~~BOAR~~^{BAOR} every year. In October alone we had 140 official or British Council sponsored visitors to Canada for discussions on a wide range of subjects with their opposite numbers here. These are some of the activities we know about. In addition large numbers of British visitors come to Canada without the knowledge of the High Commission or our Consulates. They deal direct with their Canadian counterparts in business, academic life, the arts and the professions. The Provincial Minister of Finance of Quebec felt constrained to apologise to me the other

.../day



day that he did not keep the High Commission informed of his frequent visits to London where, amongst other things, he consulted the Province's Financial Advisers, Warburgs. There is no reason why he should. Indeed it would be quite impossible for us to keep track of every Anglo-Canadian activity that goes on.

CONCLUSION

16. This is a good time to be starting my mission in Canada. Britain has an inbuilt advantage here at any time. Our common language, our common history and traditions, the fact that many Canadians, particularly those engaged in business, finance and the media, are of British origin, give us a flying start. We now have a new Government with a decisive mandate from the electorate; it has none of the «hang-ups» about the United States or the Alliance that soured relations under Trudeau. There is a clear disposition on the part of Mulroney and his colleagues to work for agreed solutions to domestic and international problems rather than ride rough-shod over the interests of others.

17. This watershed in Canada offers opportunities to us. A strong and self-confident Canada is in our British interest. It could lead to a more effective contribution to NATO; it could open up increased opportunities for trade and investment, both ways; it could mean that Canada will be more inclined to listen to us, and support us, in world affairs. If we are to benefit from these opportunities, we will need to make some effort ourselves. I will shortly be letting you have some suggestions.

18. I am sending a copy of this despatch to HM Representative in Washington.

I am, Sir,
Yours faithfully,

Derek Day

Derek Day

blind cc:

CONSULS GENERAL IN CANADA