

APPENDIX

STATEMENT ON CONSULTATIONS IN LONDON, BRUSSELS
AND GENEVA RE: E.E.C. ENLARGEMENT

On behalf of the Government and accompanied by officials of the Departments of External Affairs, Finance, Agriculture, and Industry, Trade and Commerce, I visited Geneva, London and Brussels in October to put forward Canadian interests in the current negotiations for enlargement of the European Economic Community.

In Geneva, I had a tour d'horizon of current world trade issues with the Director-General of the GATT. In London, I met with Prime Minister Heath and three of his Cabinet colleagues. I had talks in Brussels with five of the eight members of the E.E.C. Commission, the permanent representatives of the six member states, the British negotiating team, the Ambassadors of the other applicant countries (Ireland, Denmark and Norway) and the Ambassadors of the United States, Australia and New Zealand.

Those with whom I met welcomed our representations—they clearly wanted to have a better understanding of Canada's point of view.

Main Themes

In my conversations, I highlighted four main themes:

1. Our concerns about the negative effects of E.E.C. enlargement on Canada's access to the markets of the United Kingdom and Western Europe and its repercussions on the framework and patterns of world trade.
 2. Our conviction that in some instances mutuality of interests exists between Canada and Britain and the E.E.C., offering scope for adjustments.
 3. Our intention to bring into play at an appropriate stage the contractual rights and obligations, under bilateral arrangements and under the GATT, which would be affected by E.E.C. enlargement.
 4. Our views as to the importance of developing new initiatives for freeing of trade on a multilateral basis during the period of European negotiations.
- Some Effects of Enlargement

In discussing the direct impact E.E.C. enlargement would have on Canadian trade, I drew a statistical picture of the changes in access terms which our exports to Britain would face if that country adopted the E.E.C. Common External Tariff and the Common Agricultural Policy unchanged. Only about 36 per cent of these exports would continue to receive free entry compared with some 94 per cent at present. The remainder would face tariffs, loss of Commonwealth preferences and reverse preferences in favour of our E.E.C. competitors. Our agricultural exports would be in an even more difficult position as the inward-looking Common Agricultural Policy makes use of levies, subsidies and other special protective devices.

The actual effects on the volume and profitability of Canadian sales would, of course, vary considerably from one item to another. However, it was important to ensure that the parties to the negotiations were fully seized of the fact that almost 70 per cent of our exports to Britain

would be adversely affected under the present Common External Tariff and Common Agricultural Policy.

I underlined that Britain is Canada's second largest export market accounting for about one-quarter of our overseas sales. It has been purchasing more than \$1 billion of Canadian goods annually in recent years and in 1970, its purchases will exceed this level by a considerable margin. Our exports to the E.E.C. and other applicant countries are approximately of the same magnitude as our sales to Britain. Some of these would also be adversely affected by E.E.C. enlargement.

As regards the more general implications, we emphasized the danger of a polarization of the world trading community into inward-looking rival blocks. The E.E.C. is already the world's largest trading entity. Enlarged, it would account for more than one-quarter of world trade, that is, not including intra-Community trade—compared with about 20 per cent for the United States. About 50 of the 91 members of the GATT could be either members of the E.E.C. or countries associated with it.

I urged that the E.E.C. use its influence to facilitate and encourage continued expansion of trade on a world-wide basis and not only within its own grouping of member and associated countries. The world trading community and the E.E.C. itself would have much to gain from such an outward-looking policy. On the other hand, if E.E.C. enlargement mainly has the effect of limiting and diverting trade from third countries, the Community is itself bound to lose over the longer run in terms of consumer and producer costs. Moreover, outside suppliers could not remain indifferent to the loss of important traditional markets for their goods in the E.E.C. and in the countries associated with it.

The Enlargement Negotiations and Canada

As honourable members are aware, Britain has already told the E.E.C. that it is prepared in principle to accept the Common External Tariff and the Common Agricultural Policy.

As regards accommodation for outside interests, the only specific issues Britain has raised in the negotiations relate to access for New Zealand butter and lamb and Commonwealth sugar and to relationships between Commonwealth developing countries and the enlarged community.

Certain arrangements which Britain is seeking in its own interest could help some of our exports. For example, as I have already told the House, nine of the twelve industrial materials for which Britain has requested special arrangements are of interest to Canada. These are aluminum, lead, zinc, newsprint, wood pulp, plywood, phosphorus, ferro-silicon and silicon carbide. Together they account for more than one-fifth of our sales in the British market.

There would also be, in case of enlargement of the E.E.C., a transitional period during which Canadian exporters could adjust to the new situation. The British have proposed that the application of the common tariff