

enlargement strengthened the European economy, but forced a change in trading patterns. The rise in energy prices altered the underlying comparative advantages between Canada and Western Europe. And, as already noted, the Tokyo Round had an effect on access both to the Community and to Canada. The Framework was a statement of intent that while these changes were underway, the Community and Canada would examine together how to tap the potential for each other which these circumstances offered. The negotiation of the Agreement was not easy, and the result reflected a desire to break new ground without establishing difficult precedents for relations with third countries.

Of course, it never was intended that all the activities we would undertake would fit directly under this umbrella. The Agreement expressly provides for bilateral arrangements with Member States, and many of the industry and commerce development programmes which we have in Western Europe bear no direct relationship to our periodic consultations with the Commission of the European Communities in Brussels. This is as it should be, and our policy of promoting closer economic ties with Western Europe should not be judged exclusively in terms of the one instrument, important as it is.

One important activity which does not fit conveniently within the terms of the Framework Agreement but which I would like to mention because it has only recently been approved by Cabinet is Canada's participation in the Large Communications Satellite (L-SAT) programme of the European Space Agency. The programme will see the Canadian space industry develop links comparable to those now existing with U.S. industry. In addition to providing a new market for Canadian high technology, this kind of co-operation provides us with access to complementary European technology in exchange. This sort of co-operation is one kind of model of what might be possible in many sectors.

Major initiatives like this cost money, however, and must be measured against other economic development options available which compete for a necessarily limited amount of fiscal support. We must find the most economic and cost-effective means possible for promoting closer economic ties with the Community.

From the European perspective, the idea of economic co-operation with Canada is often seen as being