

we intended to explain fully the damage to Canada on a Canada-Community basis with regard to particularly sensitive products as cases arose, and on a multilateral basis in the GATT negotiations on the effects of enlargement, we considered these to be fundamentally exercises in short-term adjustment. The more important issue was whether Canada could strengthen its economic relations with the enlarged EEC in the years to come.

On instructions from Mr. Sharp, our ambassadors in the capitals of the enlarged Community made simultaneous presentations to the governments concerned just before their foreign ministers met in March to map out the approach the autumn summit meeting should take with regard to the Community's relations with third countries. Canada's representatives had little difficulty in convincing Europeans of the distinctiveness of its interests. We nonetheless realized that the EEC preoccupation with the short-term consolidation of the Community tended to inhibit the Europeans' ability to focus on longer-range relations with Canada. These, after all, could not in fairness be considered to be a top EEC priority in the light of our own apparent detachment from the EEC over the years.

#### Agreement explored

In June, the Canadian Government sent off to the EEC a mission of senior officials from Industry, Trade and Commerce, External Affairs, and Finance. Their purpose was to propose informally to the Europeans a novel idea — that Canada and the EEC explore whether a comprehensive agreement (on the most-favoured-nation principle) on trade and economic questions could assist the development of Canada-EEC relations.

This kind of broad bilateral agreement between industrialized partners whose focus would be longer-range doesn't have any recent model. Trade relations between such countries are governed by the GATT. However, many of the issues we had in mind where the Community and Canada had a common interest (e.g. understandings on multinational corporations, or trade problems resulting from consumer legislation) might not be dealt with effectively in a multinational forum for some time. Indeed, co-operation between Canada and the Community — which would certainly not be against the interests of any third country — might assist eventual multilateral progress by providing helpful precedent and momentum.

We imparted a certain amount of urgency to the discussion by reminding the

Europeans that some of Canada's long-term essential trade arrangements with Britain which would soon be terminated, might usefully be discussed between Canada and the Community. For example, Canada would like assurance that no third country would be granted access to the Canadian market more favourable than that provided to Britain. Another subject of obvious interest to Britain's Community partners would be Canada's disposition of preferential access by Britain to the Canadian market, which we were under no GATT or other obligation to terminate in accordance with a particular timetable.

Generally, however, the Canadian mission discussed in an exploratory way issues of Canada-EEC development in the longer term, recognizing that for many of these there was not yet a national policy in Canada or a Community policy in Europe. Moreover, there are federal, provincial and Community-member jurisdictional issues potentially involved that can make concrete discussion difficult. We clearly needed a framework for discussion and development which would take into account the emergence of a common policy in the EEC but would recognize our need to continue to strengthen relations with individual member states. As Mr. Sharp later pointed out: "The Canadian objective was to reinforce bilateral relations with the member countries of the Community through creating an appropriate framework linking Canada and the EEC as such".

#### No quick results

We recognized, of course, that such an agreement would not be something we were going to work out together quickly. Because of the novel character of a comprehensive economic agreement between industrialized countries directed toward the middle term of their relations perhaps years of negotiations would be required. What we needed to do was identify the substance of our relations then try to establish what would be necessary for their development.

We set out in a lengthy working document some of the elements we could merit discussion between Canada and the EEC. Apart from the question of negotiating a bilateral MFN agreement with the Community itself, the paper covered a wide range of topics, including the liberalization of agreements relating to goods in transit, the question of state-purchase policies, countervail, coastal shipping port subsidies, concessional financial

*No recent model for broad pact with Community*