

CANADA'S RELATIONS WITH THE NEW EUROPE

INTRODUCTION

Europe is currently undergoing major transformations. The European Community (EC) is implementing its single market program as well as moving toward further integration through Economic and Monetary Union and Political Union. At the same time, the EC and the European Free Trade Area (EFTA) countries recently reached an agreement to create a European Economic Space (EES).

Although important for Canada's future, these developments, except for the dramatic highlights, have not captured a great deal of attention in our country. However, many experts believe that if Canada wants to take advantage of changes occurring in Europe, it has to be done now. The Sub-Committee wants to seize the opportunity of this report to contribute usefully to the redefinition and development of Canada's European Policy.

In examining Canada's economic relations with the EC countries, the Sub-Committee became aware of the need for our country to be better equipped generally to perform in an increasingly competitive world economy. In that connection, Canada's trade promotion programs have recently been criticized as too costly and not always effective. Accordingly, the Sub-Committee has taken advantage of this study of Canada-EC relations to make some observations and recommendations aimed at increasing Canada's economic presence throughout the world.

In carrying out this study, the Sub-Committee held a series of public meetings in Ottawa with government officials, and experts and business people heavily involved in Canada-EC relations or trade promotion. In addition, we met with representatives from the French and the German governments. From May 18 to 24, Sub-Committee Members and staff visited Bonn, Brussels and Paris.

I. RECENT EVOLUTION OF THE EUROPEAN COMMUNITY AND IMPLICATIONS FOR CANADA

For the benefit of readers, the Sub-Committee wishes to begin its report by describing four elements in the current evolution of Europe and their immediate implications for Canada: the single market program, the European Economic Space, the Maastricht Summit and the EC and Eastern Europe.

The Single Market Program

The mid-1980s revival of the process of building the EC has stemmed, firstly, from the desire to complete the work that had been under-way since the 1950s and, secondly, from the desire to react to increasing competition from the United States, Japan and newly industrializing countries such as South Korea, Hong Kong and Taiwan. The *Single Act*, ratified in 1986, has provided the means for this revival. It improves the decision-making process by extending the practice of qualified majority vote to