

Since 1973, manufactured products have travelled free of customs duties and restrictions under an agreement between the EC and the European Free Trade Association (EFTA) countries. EFTA has six members — Austria, Finland, Iceland, Norway, Sweden and Switzerland — and is the Community's largest trading partner. Agricultural and fish products have generally been excluded from the free trade provisions.

The EC has made special trade arrangements with many developing countries, as well, particularly former colonies of its member states. The countries of the Mediterranean (except Libya and Albania) receive duty-free access on most manufactured goods and some agricultural produce. Some 66 African, Caribbean and Pacific (ACP) countries are signatories to a series of conventions that permit them to export a wide range of goods to the Community duty-free. Trade relations with advanced industrial countries are usually governed by the General Agreement on Tariffs and Trade.

### **EC Common Policies Affecting Trade**

Of all the European Community's common policies, the most contentious was also among the first to be established: the common agricultural policy (CAP). The aims of the policy are to increase agricultural productivity, ensure fair standards of living for farmers, stabilize markets, guarantee supply, and ensure reasonable prices to consumers. The CAP has in some ways been very successful. For instance, the EC is virtually self-sufficient. However, the cost has been enormous. Almost two-thirds of the EC's general budget goes toward farm price guarantees.

The effects of the common agricultural policy have reached the European Community's trading partners as well. The Canadian government, along with the governments of other major agricultural producers, has long lobbied to reduce or eliminate these

guarantees that unfairly subsidize European farmers and lead to excess production. Indeed, this subsidy-induced artificial production has reduced traditional Canadian export markets, both in the EC and in third countries. The EC has shown some interest in reducing the scope of the common agricultural policy, but progress remains slow.

Another area where the EC has adopted a common policy is in fisheries. The common fisheries policy (CFP) — sometimes referred to as "Blue Europe" — embodies community-wide regulations affecting the conservation and management of fish stocks; the structure and modernization of the EC fishing industry; the organization of the market for fisheries products, including import tariffs, quotas and reference prices; and the negotiation of fisheries treaties with these countries. Like Canada, the EC is a member of the Northwest Atlantic Fisheries Organization (NAFO), which sets catch quotas in the North Atlantic region off Canada's east coast. However, since Spain and Portugal joined the EC in 1986 — and brought their huge fishing fleets under EC jurisdiction — the EC has not adhered to the NAFO conservation regime. Both Canada and the EC agree on the principles of fisheries conservation and rational management, but have not been able to agree on how to put these principles into practice.

### **Canada-EC Economic and Science and Technology Co-operation**

Though agriculture and fisheries are two areas where Canada and the EC have had differences, overall economic relations are very healthy. In fact, Canada is the only non-EFTA industrialized nation to have signed a framework agreement with the European Community on commercial and economic co-operation. The agreement, signed in 1976, encourages industrial co-operation in investment, joint ventures,