



CANADA

STATEMENTS AND SPEECHES

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No. 62/3 CANADA AND THE EUROPEAN COMMON MARKET

Partial notes for an address by Prime Minister John G. Diefenbaker, to a combined meeting of Hamilton Chambers of Commerce, Hamilton, Ontario, December 7, 1961.

Another subject on which I should like to talk to you tonight is the European Common Market. As you know, six countries of Europe - namely France, Italy, West Germany, the Netherlands, Belgium and Luxembourg - agreed in 1957 to set up this Common Market. Britain is now negotiating terms of entry with The Six.

There is no need to emphasize the great complexity of these European developments and their many implications for the rest of the world. There has been a tendency to oversimplify the issues raised, perhaps in an effort to find simple ready-made solutions. Misunderstanding has often been the result - misunderstanding of some of the problems concerned and misunderstanding of the Canadian Government's position. I should like to explain to you the main issues as we see them.

Let us first look at the Common Market. The Six have strong political reasons to unite. They wished to bring France and Germany closer together. They realized that working together they could play a more effective role in world affairs. They also hope that their Community will lead to expanded trade and a faster rate of economic growth.

Vast Free-Trade Area

So far, their expectations have been largely realized: they have achieved a high level of prosperity and within a few years they will have formed a vast area of free trade with common institutions, where labour and capital will also move freely. They already have a leading position in world trade. Together they account for more than a quarter of total world trade.

In Canada we understand the political motivation that has created the Common Market. On the other hand, we consider that its prosperity should not be realized at the expense of outside countries. We have made very clear to The Six that a

highly protective tariff on such commodities as aluminum, wood pulp, newsprint, lead and zinc would be harmful to our trade.

We have made it equally clear that a protectionist common agricultural policy would have severe effects on our agricultural exports to the Common Market and be a source of grave concern.

In the tariff negotiations now taking place in Geneva under GATT we are making every effort to secure reasonable access to the Common Market. The Six understand our position and the scope of the interests we have at stake. Our policy is to protect these interests.

Britain and the Common Market

I turn now to the negotiations between Britain and the Common Market. Britain is at the centre of a worldwide trading system in which the production facilities of many Commonwealth countries have been created to supply the British market. The adoption of the Common Tariff of The Six by Britain and of a protectionist agricultural policy, without arrangements designed to protect Commonwealth interests, could not fail to destroy important and beneficial features of this system.

What would be our own position?

Our agricultural and fisheries products, instead of entering the British market duty free or with a preference as they now do, would have to enter what might be a highly protected market. These agricultural and fisheries exports to Britain were valued at \$300 million last year, or 33 percent of our total exports of \$915 million.

Many of our raw materials which now enter the British market duty free would face a tariff. For instance, the present common tariff for aluminum is 10 percent, for wood pulp 6 percent, and 7 percent for newsprint. Our total raw materials exports to Britain in 1960 were valued at \$510 million.

With respect to our manufactured and semi-manufactured exports, which accounted for \$105 million last year, we would not only lose our preferential access to the British market vis-a-vis The Six, but reverse preferences would be created in their favour. In other words, while their exports to Britain now face a higher tariff than the one we enjoy, they would be entering the British market duty free while we should have to face a higher tariff than now.

Effects on Canada's Trade

I shall not attempt to give you a complete and detailed description of the effects on our trade which we could expect from British membership in the Common Market. I emphasize, however, that all sectors of our trade would be affected in one way or another. This is a serious prospect. This trade amounts to 17 percent of our total exports. It contributes substantially to prosperity and jobs in this country. These developments are important to Canada. We also recognize that they present important and difficult problems for Britain.

The British decision to initiate negotiations with The Six has not been an easy one to make. It was made after very serious consideration. They felt that Britain could not remain aloof, that Britain should share in Europe's growing prosperity and that Britain should be a partner in shaping the political future of Europe. In his statement at the opening of the negotiations with The Six, the responsible British Minister, Mr. Heath, said that this development "will effect profoundly the way of life, the political thought and even the character of each one of our peoples".

Last summer the British Government asked for our views. We gave our views because we wanted to ensure that Britain would have the fullest information on the implications for Canada and the rest of the Commonwealth. We never questioned Britain's right to make its own decision.

Anglo-Canadian Consultation.

The British Government is now making every effort to protect Commonwealth interests in its negotiations with The Six. For our part, we intend to continue to let the British Government know how our interests might be affected by developments in the negotiations now taking place in Brussels. Only in this way can Britain at all times remain fully aware of all the factors which have to be taken into account in providing accommodation for Commonwealth interests.

Difficult negotiations lie ahead. It will not be easy to protect Canadian and Commonwealth interests.

This is true even with the opportunities for expanding trade which will be created by high levels of prosperity in Europe. We are not attempting to turn the clock back on the great developments in the pattern of world forces resulting from European integration. But these benefits will be ours only if the policies of the Common Market are conducive to greater trade.

Few countries have at stake such diversified interests as Canada. The decisions to be made in the months to come are of importance to all - to those who are helping to develop the natural resources of Canada, and to those who are building the

manufacturing strength of this country. There is no easy solution that will satisfy all our diversified interests.

Membership in Market?

Some people claim that the solution to our problem could be found if Canada were to become a member or an associate member of the Common Market. These people fail to realize that, under the terms of the Common Market treaty, membership is limited to European countries.

What about associate membership?

The former dependent overseas territories of Common Market countries are at the present time associated with The Six under special arrangements designed to fit the needs of former colonial possessions in the early stages of development. Clearly, this solution is not applicable to Canada.

Greece is the only country which has negotiated a special agreement with the Common Market, under Article 238 of the Rome Treaty -- that is, the Article providing for association. Greece is not only an European country, but it is in the course of development, and it has particular ties with Common Market members.

It is most unlikely that Canada would be welcome as an associate member in the Common Market. We must be realistic about this. Some of The Six themselves are important agricultural producers. Can we expect them to welcome a country such as Canada with a large agricultural production needing access to markets abroad? There is therefore no proof that associate status offers an answer to Canada's problem.

The Government is giving careful attention at this time to all the possible courses of action. We are not rejecting any possible approach, although we must, of course, make a careful assessment of which ones would or would not be practicable. We shall take any constructive action required to serve Canada's interests.

All the important trading countries of the world, including Canada, at a meeting in Geneva last week, agreed to explore new techniques for reducing trade barriers. The Canadian Government will take an active part in these continuing discussions.

I welcome the growing evidence that the United States Government is accepting the heavy responsibilities which arise from its leading position among the nations of the world.

Our growth in the future as in the past will depend to a great extent on international trade. Canadians should weigh carefully the effects the Brussels negotiations could have on their own interests. I am confident that the examination by

Canadian business of the complex issues with which Canada is faced will confirm that the Government's stand is reasonable and responsible.

We shall continue to make every effort to improve opportunities for Canadian trade abroad - our record will show that we have this policy very much at heart. Our vigorous export promotion campaign is opening new markets abroad. Canadian exports have increased by 12 percent of our legitimate interests and aspirations. We in our turn shall be prepared to play our part in whatever changes may lie ahead.

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