

STATEMENT DISCOURS

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EXTÉRIEURES.



NOTES FOR A STATEMENT BY
THE SECRETARY OF STATE
FOR EXTERNAL AFFAIRS,
THE HONOURABLE MITCHELL SHARP,
AT THE STANDING SENATE COMMITTEE
ON FOREIGN AFFAIRS, OTTAWA,
MARCH 21, 1972.

I am grateful for being able to appear before you. You have chosen a very timely and important topic to examine. Canada's developing relationship with the European Economic Communities is of increasing importance. It is one of the preoccupations of the Government in foreign policy. We want these relations to be closer. We welcome your examination of them and we shall look forward to your suggestions. Indeed, during your own travels to Europe, you will be able to assist our efforts in this direction.

For all these reasons, I wish to provide a framework for your consideration of these relations.

First, what is the actual state of our relations with the ten countries of the enlarged EEC? You are aware of the closeness of the ties forged during two world wars and our post-war alliance. The EEC now contains both our founding nations, and, as well, other countries of birth of many Canadians. The two most used working languages of the new Europeans are the two official languages of Canada. I do not suggest that this alone provides a basis for new relations. But I do think that we speak the same language as the Europeans in many important respects.

We admire the imaginative concept that the enlarged Community provides for Europe's potential.

The Prime Minister underlined this potential in his messages of congratulation to Prime Minister Heath and to the Presidents of the EEC Council and EEC Commission at the time the new members signed the Treaty of Accession in January. Mr. Trudeau wrote, "Canadians admire the audacity of concept of the new Community and skillfulness with which it has been designed. We are confident that the economic strength which will flow from it will be employed in a fashion of benefit not just to the partners but to all members of the International Community. A co-operating, prospering, Europe has much to offer the world in friendship, in trade, in economic assistance and in example".

In political terms, the entire Atlantic world is going to be affected by this new dynamic Europe which is taking shape before our eyes. Adjustments are going to have to be made in recognition of the new balance which will come about in the Western world. For its part, the United States has long wanted the Europeans to assume a greater share of the burden of ensuring their own security. These two tendencies have a cumulative effect on the way the Atlantic Alliance -- as we have known it since the war -- will work in future. European unity is by no means incompatible with stronger ties with Europe's major partners. Thus, there are problems of adjusting relations as between the Western countries. These require solutions not only for their own sake but also because solidarity in the West is as important as ever in an era of rapidly evolving relations with Eastern Europe.

As Western relations evolve, it is natural for Canadians to worry over the possibility that tension may develop between Europe and the United States. There is an interaction among relations between the United States and Europe, our own relations with the United States, and our relations with Europe. The Government's review of foreign policy sought to demonstrate that a policy that attempts to diversify Canada's relations, inevitably draws Canada closer to Europe. Equally -- as the monetary and trade crisis of last year made us aware -- a breakdown in the mechanisms governing relations between the United States and Europe can result in the isolation of Canada in North America.

From the economic point of view the new Europe raises equally far-reaching considerations. By 1980 the imports of the enlarged EEC from the outside world could soar to 130 billion dollars. Canada -- the world's fourth exporter after the EEC, the United States and Japan -- must take the Common Market very seriously. The ten countries already form what is by far the world's largest trading unit; they imported over seventy billion dollars' worth of goods from the outside world last year. Of these seventy billion dollars' worth over two billion seven hundred thousand dollars' worth of goods came from Canada. This represented 17% of our total exports and about half of our exports outside North America, making the EEC our second largest trading partner by a considerable margin.

Yet we can do much better. We shall have to do much better. Since 1958, Canadian exports to the EEC have increased greatly. They have not, however, kept pace with the increase in total EEC imports from the outside world. Our share of those markets has declined. Just as important, our exports to the EEC have not followed the trend in EEC imports toward manufactures and processed goods and away from primary materials and commodities. It is here, particularly in sectors of intensive technology, that we shall have to improve greatly.

It has not been easy to assess the fault for our difficulties in this category of exports to the EEC. Access has been a problem for a number of products, including some of interest to Canada. But this problem should not be exaggerated. By and large, the common tariff of the European Community is low. In spite of protective policies in the agricultural sector, the Community remains a large agricultural importer. Other world traders have done very well in this EEC market. Certainly the Americans have with their export of sophisticated manufactures to the EEC, although they have been helped by their massive investment in Western Europe. Much of the difficulty probably lies with our industrial structures and trading habits themselves. We can't sell too well what we don't make, obviously. For this reason,

we are thinking about our general policies toward the EEC very much in terms of policies on which we are working in other areas: energy policy, investment policy, industrial policy generally -- including policy on secondary industry and policy on research and development -- and other related policy studies. Our success in realizing our own potential could well be related to some extent to the EEC's success in doing the same thing. We should develop a degree of interest in this expanding but difficult market in keeping with its potential and with what we are doing, say, in the United States market.

I mentioned that we spoke the same language.

This is partly because we share some of the same problems. Many of you will have read the book by Jean-Jacques Servan-Schreiber of a few years ago which has by now become something of a classic, Le Défi Américain: The American Challenge. You will recall that Le Défi Américain documents the difficulties the Europeans have had in building big enough companies in technologically sophisticated fields -- to generate sufficient capital -- to finance sufficient research and development -- to permit the innovation in technology -- to make these companies competitive. Meanwhile, European firms have shown a tendency to sell out more often to American multinationals than to a European competitor. Put in these terms, the Europeans have a problem with which we have had some experience.

Common problems don't necessarily make partnerships. We would all, I'm sure, prefer to choose our bedfellows on some basis other than misery. Moreover, I think that both the EEC -- which has wrought an economic miracle -- and Canada -- which last year led the world in growth in industrial production -- are rather buoyant than anything else. But there are problems. To the extent these are common to both the EEC and to Canada, we can help each other to develop solutions to our mutual benefit. This is the basis for partnership and this is the time to make the effort required.

In recent years, we have been trying hard to develop closer economic relations in the field of sophisticated manufactured goods. We have sent technological missions and trade missions to Europe. We have had some good results. But now I think that we shall begin to get better results. I don't know if the Europeans have had the political will in the past to make the effort necessary. They may have been inhibited by reservations about the degree to which Canadian interests were nationally distinct, and about our wish to co-operate in the future. Until recently, I doubt if we demonstrated this clearly enough to the Europeans to distract them from their preoccupations with internal consolidation. Both Mr. Pepin and myself have brought this to their attention in our visits to European capitals over the last year and a half.

Of course, we shall also be raising with them our export interests which have been adversely affected by Britain's joining the EEC: over 40% of our 1971 exports to the United Kingdom of over one billion three hundred millions dollars could now face more difficult entry. There are other issues as well. I won't document them here as you are familiar with them but you may be sure that they will be defended. Britain's entry into the EEC was a decision for Britain to take. While we welcome the EEC's success, the parties to enlargement must understand that the burden of adjustment thrown upon Canada is greater than that placed upon any other country outside the enlarged EEC. If EEC policies took a protectionist turn, there could be real damage to our trade. We have, therefore, been pleased to note the recent declaration of intent published by the United States and the EEC in which they make a pledge to enter into broad multilateral trade negotiations in about a year from now. If a new balance is necessary we want it at a higher not a lower level of trade.

So we intend to speak to the Europeans not only about the protection of our present interests but also to work now with them to develop our shared potential interests. We shall both benefit from outward looking approaches and liberalizing tendencies in world trade, since our respective stakes in world trade are important. Closer relations will assist us both. Closer industrial ties would help.

In the end, of course, the possibilities of closer industrial ties are going to be only as large as the mutual interests and abilities of Canadian and European industry make them. We can't develop synthetic interests. I am convinced, however, that a closer examination of possibilities will reveal matters of ample potential interest, if the political will is there. I believe this is now more apparent on both sides.

Let me say, very forcefully, that there is nothing in what I've said which could be seen as being in any way "anti-American". Nothing I have said is intended to suggest that the closeness of our relations with the United States needs re-evaluation in the light of possibilities for closer economic relations with Europe. Indeed, it is because of the unusual closeness of our economic relations with the United States that we need energetically to explore the possibilities of other areas we may have underplayed. It is all the more necessary for us to do this in Europe now that Britain has joined the EEC.

Never before have so many questions been raised about Canada's relations with Europe. Until now, Europe has been too busy re-organizing itself to pay much attention to how it is going to arrange its relations with the rest of

the world. This is changing, and with this change there is an opportunity to improve our relationship. Europe is now going to have to devote some attention to deciding how it wants to maintain the links it has with others -- above all, with its closest and most important partners in Canada and the United States.

I believe that it is in Europe's interest that Canada remain independent, prosperous and united. Europeans should be convinced of this fact. I believe the Europeans have come to realize this more clearly in the past few months than ever before. Because of their own preoccupations, because of distance, because perhaps we did not explain ourselves often enough -- for many reasons -- they were inclined in the past to assume that the view they took of their relations with the United States would do more or less for their relations with Canada. The Government has worked to change this attitude, with some success. It is a fact of considerable importance that the next European Summit will have specifically on its Agenda the question of the European Community's relations with **its** major economic partners which I have no doubt will include Canada.

For our own part, we should try to keep as open-minded an attitude as possible to the new forms of multi-lateral co-operation the Europeans are trying to work out among themselves. We have to look to our interests, and we will. But their success is our success. Both bilaterally with the European capitals, and multilaterally with the institutions of the Community itself, we wish to build upon the multiple dialogue we have begun.

There will be much hard work before we can develop the sort of relations with the new Europe that will suit our interests. This is why I welcome all contributions to the dialogue, including those of your Committee. The Government also looks forward to receiving shortly a visit from Mr. Dahrendorf, the Community's Commissioner for foreign affairs. Many of the themes I have touched on above will be discussed with him. The EEC with Great Britain and Ireland, Norway and Denmark is a developing economic power of great strength and wide-ranging political significance. Canada has much at stake in the Community. Canada has much in common with the Community. And I am convinced both our stake and our common interests will grow.

I shall look forward to your own appraisal.