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THE CONTRACTUAL LINK: WHY AND HOW?

Address by Mr. Marcel Cadieux Ambassador of Canada to the European Communities, to the Canadian Institute of International Affairs, Toronto, November 24, 1976.

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I remember that -- it seems to me only recently -- I came here to discuss our relations with the United States. I welcomed then the opportunity, being at that time Ambassador in Washington, to outline some of the problems that then seemed to me to be important in this sector of our external relations. I found it of benefit to hear comments and to deal with questions related to the points I had brought up for discussion.

Today, I propose to deal naturally with a different aspect of our external relations -- our link with the European Communities. This is all the more understandable now that I have now been transferred to Brussels where I am in charge of our Mission to these Communities. But, to be frank with you, there is another reason why I welcome this opportunity to answer some of the questions I think are being raised here in Canada concerning these relations.

Unless I am wrong (and when you are abroad it is more difficult to keep in touch with feelings and trends at home), my impression is that, in certain quarters, business and the media, and perhaps also in academic circles, there is some uncertainty concerning our relations with the Communities, the "contractual link" and, more particularly, the agreement that was signed with the Communities on July 6 last.

During the time available this evening, I should like to address myself to this particular problem and try to provide answers to two questions: Why did we want or need to have a contractual link with the Communities and how do we propose to implement it? I shall be brief in my observations so as to allow more time for questions, for a dialogue. I am just as keen to get your views as to deliver my message.

I should point out, in trying to answer the first question, that we are not, obviously, a member of the Community. Because of this, it is more difficult for us to know what is going on within the

Community than if we were inside and a member. We are not involved in the preparations of the decisions, nor do we contribute to these decisions directly. In NATO, to give one example, we are a member of the Council, we know what papers the staff are putting up, we are involved in the discussions and we take part in the decisions. As soon as the Council is over, our Permanent Representative can immediately report to Ottawa what exactly has transpired, who said what, which particular positions were taken by which member country, and why.

When it comes to the Community, the situation is different. The Council meets sometimes in Brussels but often in other European capitals, and we can very often only find out what has happened by seeking out afterwards harassed officials who are trying very hard to figure out and record what transpired at the meeting they just attended; they are also trying to figure out how they will carry out decisions taken at these meetings and prepare themselves for the next steps that have to be undertaken. There are probably many dozens of representatives of other outside entities, like Canada, who are trying to have access at the same time we ourselves want to know what is going on. In these circumstances, there is a clear advantage in having an agreement with the Community that we are to co-operate and to keep each other informed as to what we may do or contemplate doing that may have an effect on the interests of the other. In a situation that is difficult to observe, where we have difficulty of access, a special pass, a promise that we shall be informed and, when appropriate, consulted, is of great advantage. I can assure you that the job in Brussels of keeping in touch with Community developments, of presenting Canadian views and, in some cases, trying to influence decisions and even to protect specific Canadian interests at the appropriate time, is greatly facilitated as a result of such an arrangement.

But this is merely by way of introduction. Let us now deal with matters of even greater substance.

In the first place, we have to remember that the Community is the largest trading entity in the world. It is, so far as Canada is concerned, collectively our second client, after the U.S. and, I believe, slightly ahead of Japan. It is clear, therefore, that the Community, both as a client for our exports and as a source for many of our imports, is of importance to us. Some of its decisions may hurt our export prospects, and in similar fashion some of our decisions may impact Community interests. It is, therefore, important that we should be in a good position to discuss these matters with the Community, in timely and effective fashion. Is it not obvious that, if the Community and we can agree and proclaim that we propose to do this systematically with a desire to promote our

mutual interest, such an agreement, of itself and by itself, apart from anything else, is valuable and worth having in terms of our narrower bilateral relations -- that is, Canada and the Communities (leaving to one side, for the moment, our bilateral relations with individual member states)?

There is also the point that the Community is an important entity in international affairs; its decision, the course that it intends to follow, is of considerable importance to us. For instance, the Community, like Japan, like the U.S., is a major participant in trade negotiations in Geneva. Similarly, the Community position in the North-South dialogue is a factor of obvious and considerable significance as to the outcome of the process. It is, therefore, again of importance to us that we should have access to the Communities and that we should have opportunities to discuss beforehand the courses we and the Communities intend to take in these as in many other international organizations dealing with matters, which, after all, are to us of bread-and-butter interest on an everyday basis. The contractual link commits the Community and ourselves to consultation, to keeping in close touch so that we can operate in such a way that we shall avoid whenever possible conflicts and that we can, it is to be hoped, concert our action to our mutual advantage. This is also a plus for the contractual link.

Apart from trade and aid, the Communities are also, in matters within their jurisdiction, a substantial entity in such fields, for instance, as East-West relations or foreign affairs more generally. We have again an interest in finding out what the Communities are doing and in concerting our action with them. The point, it seems to me, is obvious. It is important, and its application can be seen in many areas that now or later will fall within the jurisdiction of the Communities. This is an area of growing importance, where the Community is successfully and systematically developing comprehensive and co-ordinated policies.

To illustrate this, I can mention the efforts that have just now been made by the Communities to put together a Mediterranean policy. The Communities have concluded agreements with the Maghreb countries, as well as with Israel, and now with the Mashrak countries -- that is, Syria, Jordan and Egypt. The Communities, in the same area, are negotiating with Greece concerning its possible entry into the Communities and pursuing complementary, if difficult, negotiations, with Turkey, which is also an associate state. These dealings between the Communities and these various states in the Mediterranean area call for financial assistance, for trade privileges or special trading arrangements and for

co-operation in such fields as industrial development. At the same time, the Communities have recently agreed to negotiate a "privileged" agreement with Iran. If we bear in mind that we also, Canada, have arrangements with a number of these countries, if we recall that in Palestine, as well as in Cyprus, we have troops that are performing peace-keeping tasks, and we are partners of Greece and Turkey within NATO, is it not obvious that we and the Communities have a good deal to discuss, if only to ensure we understand each other's policies? An undertaking on the part of the Communities to listen to us, to let us know what they propose to do, is something that is not of mere theoretical or symbolic value.

There is yet another key aspect of the EC-Canada agreement that I wish to discuss: the question of promoting trade, investment and industrial co-operation in a mutual fashion -- say, factories in Canada and in Europe -- or in a joint venture in or with third countries -- say, factories in a developing country.

Here it is important to be quite clear.

There is no doubt that, in a free-market economy, relations between governments and business are not always easy, whether in Europe or Canada; in such an economy, it may appear at first sight that there are contradictions between the system in general and attempts on the part of governments to influence the volume of trade in any particular direction. This objection or concern is, however, more theoretical than real. One has to remember that the state, in a country like Canada, as in a number of West European countries, traditionally plays an important role in terms of regulations and also in terms of involvement in important sectors of the economy. To that extent, therefore, an agreement committing governments to co-operation is not merely of a framework or symbolic character. It may affect, for instance, government procurement. It may also involve commitments or undertakings relating to policies in such areas, for instance, as mining, investment, upgrading. It may well be that, if there is a political will and we *know* that there is a political will, on the part of the two entities, the Communities and Canada, provided the right package can be put together, there is a clear prospect of numerous and important deals in such sectors. It will, therefore, not do merely to describe the contractual link between Canada and the Communities as mere facilitating, as a purely theoretical arrangement.

This being said, it is quite clear that, in many ways, given the

nature of our economy, it will be up to the *entrepreneurs*, the investors, the financiers, the bankers to see what can be done to develop our relations with Europe in the broader sector where they can operate on their own. In a way, this is the very spirit of our system. We have to leave the initiative to individuals. They have to decide first whether there are opportunities for them to trade, to invest, to make money and thus to contribute to the expansion of our economic base and consequently to our national prosperity. But in this vital area also the EC-Canada agreement is directly relevant. Promoters, in trying to create successful undertakings, may encounter difficulties that the Canadian Government and the Communities may be in a position to eliminate. The contractual link is precisely a commitment on the part of the two entities to do just that. And it provides a means, a mechanism, for doing so -- I mean in the Joint Co-operation Committee set up by the agreement, which will hold its first, largely organizational, meeting in Brussels next week.

It should be equally clear that the agreement cannot be fully effective if the provinces in Canada, which have very substantial powers in the fields of industry and agriculture and natural resources, do not "get into the act". *Mutatis mutandis*, the same can be said about the European Community member states. We can assume, however, that here there is, on the part of the provincial and European entities concerned, no objection in principle to arrangements between Canada and the Community and commitments that are intended to increase the volume of our business and develop our links generally. There may be problems in terms of consultation, in terms of priorities, in terms of the impact of certain schemes in certain areas in Canada or in Europe. But, by and large, however, it should be possible for us to discover means of liaison with the provinces and with our European EC partners to ensure that, in expanding our economic and commercial relations, we can achieve a degree of effectiveness of which France and Japan, in particular, provide examples. They manage to bring together businessmen and officials and bankers and find ways to package satisfactory deals and thus to penetrate markets.

It seems to me that what I have said in general terms so far demonstrates amply the need for the deal made with Europe, which is intended, in essence, to enable us both to expand our relations to our mutual benefit. There is in some respects a natural "complementarity" between the European economy, and its need for raw material and resources, and the Canadian desire to develop, on terms that have to be negotiated, the natural resources we own.

I might mention here that the Europeans are open for business. They understand that Canada has reached the stage where we wish also to export semi-finished or fully-finished material. They fully understand that classical nineteenth-century deals involving the mere export of unprocessed raw materials are behind us. This attitude is not peculiar to Canada, and the Communities have, on occasion, demonstrated their ability to react flexibly to the demands of other exporters. It is inconceivable, therefore, that the very Communities that have, for example, granted access to their markets, on more generous terms, to a growing list of industrialized products from the countries with which they are associated, the ACP countries, through the Yaoundé and the Lomé Agreements, would be incapable of contemplating, on a case-by-case basis, arrangements with Canada that would meet on both sides the kinds of preoccupation peculiar to our relations.

I now come to the second question: How, in effect, do we propose to implement the agreement between Canada and the Communities?

In a way, it might be easy to answer this question by merely saying that the agreement provides the opportunities, that the governmental entities will do what they can in sectors that they control and that it will be up to businessmen to do their normal job and to undertake an exploration of prospects, and even to take the usual risks. If and when difficulties arise, policy-makers can then see what they can do. It may well be that a good deal of what may happen under the agreement will happen precisely in this fashion, but that is not the whole story.

First, it has to be seen that we and the Communities, in appropriate forums, can do a lot together and with other partners, of course, that will liberalize trade, improve the functioning of the international monetary system and thus create conditions that will have a direct stimulating effect on our bilateral relations. It is also clear that, at this stage in the development of the Communities, national entities within the Communities remain the controlling element in many areas; there is no reason why, at the bilateral level, we should continue to do all we can to expand our economic, financial and industrial relations. For instance, everything that we have been doing in the past to promote trade and investment with Britain, with France and Germany, with Italy, can be continued and expanded.

As I pointed out before, in areas where the Communities have jurisdiction, though the agreement we can deal with them and do what we can to promote business. We can try to anticipate where

the Communities will acquire new jurisdiction. For instance, it might be that the member states will agree to give powers to the Communities -- say, in the area of aeronautics or in the area of transport. Such being the case, thanks to the agreement, we can relate to the Communities as their power evolves, and see what we can do to promote business between us and them, leaving no void, no area, not covered as power or jurisdiction is redistributed between the Communities and the member states. The agreement has an evolutionary provision. It enables us to relate to the Communities as they are now and as they may develop in the future.

In addition to the usual techniques and procedures that are used to expand trading relations, chambers of commerce, exchanges of visits, exhibitions, seminars, etc., the Community and we have undertaken an exploration of additional prospects through what has been called the "sectoral approach". Already the Community has sent to Canada three missions, on uranium, non-ferrous metals and forest products, to find out how it might be possible to supplement what is being done bilaterally and to investigate prospects of additional operations between the Community and Canada, within the sectors I have just mentioned. Reciprocally, we have sent a forestry-industry mission to Europe and we are contemplating sending additional missions. This sectoral approach may not be miraculous, may not produce instant solutions, but it is an honest and systematic effort intended to leave no area unexplored and to make sure that the extent to which the Community is competent and has taken over from its member states is fully utilized. We are so to speak "plugged in" and thus endeavouring at all levels and in every sector to do what we can to achieve our objectives.

And in this respect the agreement is relevant in another way: it provides for a machinery of consultations that may prove to be extremely important to this achievement of the policy of developing our relations. The agreement provides for continuing informal consultations but also establishes more formal machinery for regular and high-level encounter between decision-makers within the two entities. This can provide a monitoring instrument that will record and sustain success, identify difficulties and mobilize the political will to resolve them.

It may well be that this consultative machinery will provide a number of additional dividends. If, for instance, the bilateral schemes and the sectoral approach do not enable us to achieve what we have in mind, the machine may of its own develop new impetus, seek momentum elsewhere, almost compel us to search for and

develop additional or alternative means of promoting closer links between us. There is also the advantage that, in a situation where, in some ways, we are outsiders, where we do not have ready and immediate access to information, the personal contacts that will be established as a result of formal and informal meetings will in the end make it easier for us, within the Mission to the Communities, to find out how they are working and what new courses of action they may be contemplating.

To summarize now. It seems to me that to both questions, why we needed a contractual link and how we propose to implement it, there are sensible answers. They may not always be easy to work out, particularly as regards the second one, but I myself find it intriguing and challenging to see, in effect, how we can use existing instruments to achieve policy objectives that are desirable in themselves and, if these traditional instruments do not work well, to experiment with or seek new techniques, new procedures, to achieve these results. I am quite convinced that we should, and will, develop our mutual links to our great advantage. There is the political will to achieve this; it will be astonishing indeed if, given the favourable circumstances I have just outlined, we were not able to find a way to succeed.

I should mention here as a good omen the fact that the link, the contract, was negotiated very quickly, contrary to many prophets of gloom. I see in the speed of these negotiations an indication that, on both sides, there is good will and a belief that something can be achieved. I might add as another favourable sign that schemes to implement the agreement did not await signature. Sectoral missions were exchanged between Canada and the Communities while the negotiations were going on. And in this next phase, when we are to set up the machinery, the links, formal or otherwise, foreseen or provided for in the agreement, additional schemes are being carried out. There is a continuing search for arrangements that will enable us to achieve the object of the agreement. If the private sector and governmental entities in Canada, as well as in Europe, can find a way of co-ordinating their efforts, I think that we can be successful. I am not suggesting that results will be immediate and that they will be very substantial to begin with. After all, geography must remain a factor and progress in implementing this scheme will be related to policy decision both on the part of the Community and on the part of our own Government that will have to evolve at the normal speed with which decisions of substantial national importance are made. But then the problem is not with the agreement or how we implement it but with the very structure, the very development and operation, of both Canada and the Communities. Even then,

and in this broader perspective, the agreement and what we can do to achieve its purpose represent a positive element and a worthwhile factor.