



CANADA

STATEMENTS AND SPEECHES

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CANADA AND THE ENLARGEMENT OF THE EUROPEAN ECONOMIC COMMUNITY - I

A Statement tabled in the House of Commons by the Honourable Jean-Luc Pepin, Minister of Industry, Trade and Commerce on December 1, 1970.

On behalf of the Government and accompanied by officials of the Departments of External Affairs, Finance, Agriculture, and Industry, Trade and Commerce, I visited Geneva, London and Brussels in October to put forward Canadian interests in the current negotiations for enlargement of the European Economic Community.

In Geneva, I had a *tour d'horizon* of current world trade issues with the Director-General of the General Agreement on Tariffs and Trade (GATT). In London, I met with Prime Minister Heath and three of his Cabinet colleagues. I had talks in Brussels with five of the eight members of the EEC Commission, the permanent representatives of the six member states, the British negotiating team, the Ambassadors of the other applicant countries (Ireland, Denmark and Norway) and the Ambassadors of the United States, Australia and New Zealand.

Those with whom I met welcomed our representations -- they clearly wanted to have a better understanding of Canada's point of view.

Main Themes

In my conversations, I highlighted four main themes:

- (1) Our concerns about the negative effects of EEC enlargement on Canada's access to the markets of the United Kingdom and Western Europe and its repercussions on the framework and patterns of world trade.
- (2) Our conviction that in some instances mutuality of interests exists between Canada and Britain and the EEC, offering scope for adjustments.

- (3) Our intention to bring into play at an appropriate stage the contractual rights and obligations, under bilateral arrangements and under the GATT, which would be affected by EEC enlargement.
- (4) Our views as to the importance of developing new initiatives for freeing of trade on a multilateral basis during the period of European negotiations.

Some Effects of Enlargement

In discussing the direct impact EEC enlargement would have on Canadian trade, I drew a statistical picture of the changes in access terms which our exports to Britain would face if that country adopted the EEC Common External Tariff and the Common Agricultural Policy unchanged. Only about 36 per cent of these exports would continue to receive free entry, compared with some 94 per cent at present. The remainder would face tariffs, loss of Commonwealth preferences and reverse preferences in favour of our ECC competitors. Our agricultural exports would be in an even more difficult position as the inward-looking Common Agricultural Policy makes use of levies, subsidies and other special protective devices.

The actual effects on the volume and profitability of Canadian sales would, of course, vary considerably from one item to another. However, it was important to ensure that the parties to the negotiations were fully seized of the fact that almost 70 per cent of our exports to Britain would be adversely affected under the present Common External Tariff and Common Agricultural Policy.

I underlined that Britain is Canada's second-largest export market, accounting for about one-quarter of our overseas sales. It has been purchasing more than \$1 billion of Canadian goods annually in recent years and, in 1970, its purchases will exceed this level by a considerable margin. Our exports to the EEC and other applicant countries are approximately of the same magnitude as our sales to Britain. Some of these would also be adversely affected by EEC enlargement.

As regards the more general implications, we emphasized the danger of a polarization of the world trading community into inward-looking rival blocs. The EEC is already the world's largest trading entity. Enlarged, it would account for more than one-quarter of world trade, that is, not including intra-Community trade -- compared with about 20 per cent for the United States. About 50 of the 91 members of the GATT could be either members of the EEC or countries associated with it.

I urged that the EEC use its influence to facilitate and encourage continued expansion of trade on a world-wide basis and not only within its own grouping of member and associated countries. The world trading community and the EEC itself would have much to gain from such an outward-looking policy. On the other hand, if EEC enlargement mainly has the effect of limiting and diverting trade from third countries, the Community is itself bound to lose over the longer run in terms of consumer and producer costs. Moreover, outside suppliers could not remain indifferent to the loss of important traditional markets for their goods in the EEC and in the countries associated with it.

Enlargement Negotiations and Canada

...Britain has already told the EEC that it is prepared in principle to accept the Common External Tariff and the Common Agricultural Policy.

As regards accommodation for outside interests, the only specific issues Britain has raised in the negotiations relate to access for New Zealand butter and lamb and Commonwealth sugar and to relations between Commonwealth developing countries and the enlarged Community.

Certain arrangements which Britain is seeking in its own interest could help some of our exports. For example, as I have already told the House, nine of the 12 industrial materials for which Britain has requested special arrangements are of interest to Canada. These are aluminum, lead, zinc, newsprint, wood pulp, plywood, phosphorus, ferro-silicon and silicon carbide. Together they account for more than one-fifth of our sales in the British market.

There would also be, in case of enlargement of the EEC, a transitional period during which Canadian exporters could adjust to the new situation. The British have proposed that the application of the common tariff on industrial goods be staged over three years and that there should be a transitional period of six years for agriculture.

On the basis of my discussions with European leaders, I can say that Britain and the EEC are prepared to explore with us areas where their interests may to some extent coincide with our own. They are also willing to maintain a two-way flow of views and information with Canada throughout the negotiations. We hope that their agenda will not be too rigid to allow them to do these things in a meaningful way.

It would, however, be misleading for me to suggest that there is prospect of any major accommodation of Canadian trade interests in the short term. Apart from whatever possibilities may exist for adjustments based on mutuality of interests, we must assume that, if the negotiations succeed, Canadian exports to Britain will eventually be subject to a Common External Tariff and a Common Agricultural Policy.

The general situation as far as access for Canadian goods is concerned would be significantly improved if the trading countries of the world undertook, during the enlargement negotiations or before the end of the transitional period, a broad negotiation to reduce tariffs and non-tariff barriers to trade. This would mitigate the trade-diverting effects of EEC enlargement in much the same way as the Dillon and Kennedy Rounds eased the impact on third countries of the original formation of the EEC.

For the present, however, European energies are being concentrated on the reshaping of Europe. In Brussels, it was emphasized that *élargissement* is only one of the current preoccupations of the EEC -- the other being *approfondissement*, the progressive transformation of the Community from a customs union into a full economic and monetary union. We suggested that they should give more thought to the need for a *mondialisation* -- or adaptation of the results of the enlargement negotiations to the requirements of world trade.

European Views

In both Brussels and London, there was a tendency to agree that the Canadians were exaggerating the impact of EEC enlargement on their trade. I was told that many of our exports would benefit from the dynamics of growth of the enlarged Community and its rapidly expanding import needs. Reference was made to the fact that the EEC's imports have more than doubled since 1958, when the Community came into being. It was also pointed out that the average level of the Common External Tariff on industrial goods was lower than that of the United States. Other favourable factors, including inter-company arrangements, could, some Europeans believe, ensure continued exports to an enlarged Community of some of our industrial goods.

In our meetings in London, the British sought to convince us that there would always be a large market for Canadian hard wheat in Britain because it was needed to maintain the right balance in milling operations.

We were repeatedly assured by all that the policy of the EEC (and perhaps even more so of an enlarged EEC) would be responsible and outward-looking. In fact, all said Europe "would not be comfortable with an inward-looking orientation".

We listened carefully to these reassuring assertions. I said we sincerely hoped that events would bear out the assumption of faster European economic growth, following enlargement. This would not help us, however, we emphasized, in those cases where their tariffs or other trade barriers were highly restrictive, as in the agricultural sector.

If Europeans are going to continue to need our industrial materials to sustain efficient economic growth, why impose on themselves the burden of paying significant customs duties on some of these products? If the enlarged Community will continue to need our wheat, should not the relevant regulations of the Common Agricultural Policy be adjusted to facilitate such trade?

I welcomed their predictions that an enlarged Community would be outward-looking and said that we hoped to see this reflected in the progress of the GATT work program and in future initiatives toward trade liberalization.

Canadian Strategy

What will be the Canadian attitude in the months and years to come? We shall continue, as I indicated, to keep considerations of this kind before our trading partners in Europe throughout the negotiations. We shall continue to seek areas of mutuality of interests. We shall continue to urge the EEC and the applicant countries, when they are weighing the merits of alternative solutions, to include in the balance the interests of their countries and the future of the world trading community.

...My colleague Mr. Sharp is now in Europe and will be discussing the implications of EEC enlargement for broad Canada-Europe relations.

Our discussions will be pursued in the coming months with all present and prospective members of the Community. In our consultations with them, we are placing considerable emphasis on the kind of relations an enlarged Community would have with Canada and other countries and trading groups.

As the negotiations in Europe proceed, we shall be considering how our important contractual rights and obligations can be put into play most effectively. We shall also be reviewing the implications of EEC enlargement for Britain's preferential access to the Canadian market.

In the meantime, we shall use our influence in the GATT to maintain the momentum of trade liberalization efforts and press in particular for a major round of negotiations before the results of the enlargement negotiations are put into effect. We shall continue to urge the United States to provide, with the EEC and other major world traders, the leadership and support which is essential if these efforts are to succeed. We had the opportunity to discuss these matters recently with members of the United States Administration when the Joint Canada-United States Committee on Trade and Economic Affairs met on November 23 and 24 in Ottawa.

We shall have no illusions, however, that we can safely leave the protection of Canadian interests to others. As a major trading partner of Britain and a significant market for the EEC and the applicant countries, Canada is not without bargaining power. These countries all wish to do more business with us; we shall insist that the terms on which we trade are fair to us as well as to them.

It will continue to be a key objective of Canadian policy to intensify our trading relations with Europe as a whole. There will be adjustments to be made because of enlargement, but in view of the magnitude and variety of Europe's import needs there should be many opportunities there for Canadian trade. We must strive to gain a share of European markets, which is more in line with our role in world trade generally.

In Industry, Trade and Commerce, we have already been giving greater emphasis to this area in our departmental programs. One-third of the officer strength of our Trade Commissioner Service is now engaged in Europe. We are devoting more resources to trade fairs and missions in the European Economic Community. We are seeking to expand the framework for scientific and technological co-operation with a number of European countries. For example, following a science and technology mission to Belgium in June, we have drafted an agreement to facilitate this type of co-operation with that country.

In the first ten months of this year, our exports to the Community were 43 percent above those in the corresponding period of 1969. In 1970, the EEC will be, for the first time, a considerably more than \$1-billion market for Canadian goods.

Our activities in some of the countries which are or will be associated with the EEC are also being stepped up. For example, we have just had important discussions in Ottawa with a high-level delegation from Algeria. These talks have led, among other things, to the sale of from 850,000 to one million metric tons of wheat for delivery over the next four years.

We shall be continually seeking ways of improving the effectiveness of our trade-development activities in the EEC and associated countries. I hope that Canadian exporters will also ask themselves whether there is anything more they could do to expand their sales to this dynamic trading group.

The public and private sectors in Canada will have to work closely together in order to minimize the adverse effects of EEC enlargement on our trade and to maximize its positive elements. I know that we can count on all sectors of Canadian industry and I assure them that the Government will do its part.

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