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**REPORT OF THE
CANADA-EUROPEAN COMMUNITY
JOINT COOPERATION COMMITTEE**

OTTAWA

MAY 25, 1990

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JOINT COOPERATION COMMITTEE**

Dept. of External Affairs
Min. des Affaires extérieures

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REPORT OF THE JOINT COOPERATION COMMITTEE

I. INTRODUCTION

1. OVERVIEW

In 1976 Canada and the European Communities signed the Framework Agreement for Commercial and Economic Cooperation. It was intended to "consolidate, deepen and diversify (our) commercial and economic relations... on the basis of mutual benefit."

This Agreement is a framework encompassing general Canada-Community relations, and its mandate was designed to address all aspects of Canada-Community commercial and economic cooperation. However, trade policy matters, in both their bilateral and multilateral dimension, have been most regularly addressed in Semi-Annual meetings of senior officials - a practice which pre-dated the signature of the Framework Agreement and has continued since. The 1959 Canada/Euratom Agreement for Cooperation in the Peaceful Uses of Atomic Energy provides for a separate structure for consultation on nuclear matters. In fact there was and is a flourishing Canada-Community network of contacts, visits, biannual high-level consultations on bilateral and multilateral trade issues, and other consultative processes which deal with many aspects of the bilateral relationship.

As a consequence, the activity under the Agreement which falls directly under the institution set up at the first meeting - the Joint Cooperation Committee - and its two Sub-Committees (the Preparatory and General Cooperation Sub-Committee, and the Sub-Committee for Industrial Cooperation) has concentrated in practice on cooperation in the industrial sector, and on science and technology, and also more recently on framework conditions for investment and trade.

2. PROCEEDINGS OF THE EIGHTH MEETING OF THE JCC

The eighth meeting of the JCC took place at the senior officials level on May 23, 1990. The proceedings and recommendations of that meeting were approved on May 25, 1990 at a meeting under the Co-Chairmanship, for Canada, of the Secretary of State for External Affairs, the Right Honourable Joe Clark, and the Honourable John Crosbie, Minister for International Trade, and for the Community, Mr. Frans Andriessen, Vice-President of the Commission and Member responsible for External Relations and Trade Policy.

II. REVIEW OF ACTIVITIES

1. OVERVIEW

Since the June 2, 1989 Joint Cooperation Committee meeting in Brussels, the two sub-committees, the Preparatory and General Cooperation Sub-Committee and the Sub-Committee for Industrial Cooperation met in full session in Ispra, Italy at the Joint Research Centre of the EC on October 26-27, 1989. The Co-Chairmen of the two sub-committees also each had one mid-term review meeting since then. These meetings took place in Ottawa on April 26, 1990 for the former and on May 22, 1990 for the latter.

2. PREPARATORY AND GENERAL COOPERATION SUB-COMMITTEE

In addition to reviewing and steering a broad range of activities related to science and technology cooperation between Canada and the EC, the Sub-Committee has provided an important forum for policy-oriented exchanges, particularly related to environment, telecommunications and nuclear activities. The bilateral dialogue in these areas has been given new impetus through the initiation in 1989 of regular environmental consultations between Canada and the EC, as well as regular consultations on information technologies and telecommunications. The activities launched in the context of these consultations are reviewed within the Preparatory and General Cooperation Sub-Committee, as are those covered by the annual consultations under the 1959 Canada/Euratom Agreement for Cooperation in the Peaceful Use of Atomic Energy.

A. Cooperation in Science and Technology

The current S&T activities of the Sub-Committee are divided into three types:

- (i) Developments in S&T policy on each side were reviewed by the Sub-Committee at its meeting in Ispra in October 1989, and have continued to proceed along the lines then discussed:

- In the EC the major event is the adoption of the New Framework Programme of Research and Technological Development for the next five years (1990-1994). This new program focuses on three important dimensions of scientific activities that reflect the Commission's new

orientations and priorities. Major focus is given to enabling technologies (telecommunications and information technologies receiving one third of the total budget, while manufacturing technologies and advanced materials are also of high priority for industrial development). The second major line of action is the management of natural resources with slightly over a third of the total budget. This includes environment and marine research as well as life sciences (biotechnology, bio-medical and health research) and energy (nuclear fission and fusion and non nuclear). A third new emphasis, which is central to 1992 internal market objectives, is the upgrading of intellectual resources with a view to building a strong program of human capital and mobility of researchers throughout the EC.

- In Canada, as well, major developments have occurred since the last JCC: the mandate of the newly created Department of Industry, Science and Technology, bringing industry and science together, reflects the domestic policies and priorities with the emphasis to be placed on partnership with the private sector and universities, especially in strategic technologies. The Program of Centres of Excellence reflects the importance attached to "networking" the various human and capital facilities and resources across the country, in order to respond to the problem of fragmentation of research. R&D programs of the Canadian provinces are giving emphasis to more applied research, leaving more fundamental research to the Federal Government to a greater degree.

- (ii) The Sub-Committee has continued to keep under review the current mechanisms of cooperation between Canada and the EC under the Framework Agreement of 1976. As was clarified by the discussions that took place at the meeting between the EC Vice-President, Mr. Narjes, and the Canadian Minister of State for Science and Technology, Mr. Oberle, in June 1988, the 1976 Agreement allows for exchange of information and researchers and for joint research

projects. The access to EC R&D projects for Canadian private sector, university or government laboratories' researchers is possible, on an ad hoc basis, if the European contractors have chosen a Canadian partner based on his capacity to bring an added-value to the project.

In the interest of improving prospects and mechanisms for joint cooperation, Canadian Ministers had raised, at the June 2, 1989 JCC meeting, the question of negotiating a bilateral Science and Technology Framework Agreement to strengthen existing cooperation between Canada and the EC. This could expand the scope for access to one another's R&D programs on a mutually advantageous basis. The Commission is in the process of developing a global strategy on the question of cooperation with third countries in science and technology. This strategy is expected to be discussed with Member States at the Council of Research very soon. Once this strategy is finalized, Canada and the EC will have a better indication of how to proceed.

At the same time, the Canadian side undertook to review its own R&D programs with the Commission in order to give the EC a better understanding of Canadian R&D capacities and strengths, and to clarify opportunities for access of Community operators to those programs.

- (iii) Finally the review of the current cooperation over the last year which is summarized in the 1989-1990 Work Program shows a clear increase in activities due in part to the numerous visits of Canadian researchers to Europe, and presentations of R&D activities of the EC through the participation of EC officials in various workshops in Canada.

Good progress has been made in the energy sector with successful projects in biomass and also major advances in the cooperation on thermo-nuclear fusion, and in the environmental sector, especially after the September 1989 consultations on environment and the visits of Canadian experts on waste water treatment to the Joint Research Centre at Ispra. New projects have been tabled in forestry research

(forest decline and pinewood nematode). Cooperation in the areas of radiation and radioactive waste was pursued in a very satisfactory way. Canada and the Community are also discussing further forms of cooperation in the area of nuclear safeguards R&D. In telecommunications and information technology, the May 18, 1990 consultations in Ottawa consolidated the basis of cooperation. In this context, the Canadian side plans to organize a major R&D industrial mission to visit the Community.

In advanced materials, an industrial mission also took place including Canadian participation in the BRITE-EURAM days; and cooperation in mineral processing R&D continued satisfactorily.

In plant biotechnology, progress has also been achieved as three new joint projects have been developed. A mission in marine research is in preparation to foster links between the strong Canadian research capacity in this sector and their European counterpart through the MAST program (complementing the existing well-established bilateral relationship with Member States, especially France and FRG).

Exploration of cooperation possibilities is also taking place in the sector of remote sensing, especially applied to environmental protection.

Finally on the question of multilateral cooperation in the "big science" programs, Canada and the EC have an excellent concertation in the Human Frontier Science Program, as well as in the Global Warming Program. Canada also presented its major initiative in the sector of high energy physics, the plan for the KAON factory in Vancouver at UBC. If the project is to go ahead, support at the international level, including from the Community, would be required to allow joint work of the international high energy physics community to be pursued.

B. Other cooperation activities

(i) Information Technology and Telecommunications

EC-Canada consultations in this sector took place in Ottawa on May 18, 1990. There was an exchange of views on the telecommunications policies of both sides, including a general review of the changing regulatory context of the European Community in view of the liberalisation of the internal market. Subjects including international standards formulation and conformance testing were reviewed. In this context, Canada attended the 1990 ETSI Technical Assembly as "special guests". Attempts to avoid duplication of international standards, and transparency in the process was a common approach in the discussion. HDTV was reviewed after the Dusseldorf meeting. The GATT/MTN negotiations on services were also discussed with a view to reaching closer positions on reciprocity, market access and public procurement. The Canadian side has proposed a Memorandum of Understanding on cooperation in the area of telecommunications and information technology; this MOU would aim, in particular, to facilitate and enhance technological cooperation in R&D in this field.

(ii) Environment

The major importance of environmental protection at the international level is reflected by the increasing number of meetings taking place around the world. Canada and the EC have excellent cooperation at this level. The recent White House meeting in Washington reflected a common view on the need to proceed with urgent action on the greenhouse affect, though the reservations of others did not permit a successful outcome of the meeting.

Canada has just launched a domestic policy discussion paper "The Green Paper" to be reviewed publicly to seek consensus before the legislative stage. Canada recently sponsored Globe 90 in Vancouver, which was a major success. The EC is progressing in a number of sectors within the Community (creation of the European Environmental Agency, a proposed program on the greenhouse effect, a waste

management strategy and several other major initiatives). Its current preoccupations focus on new cooperation projects of major environmental clean-up with Eastern European countries.

The next environmental consultations should take place in the autumn and could provide the occasion for a major review of possible joint actions (internationally or bilaterally, or for the benefit of third countries).

3. SUB-COMMITTEE ON INDUSTRIAL COOPERATION

The annual meeting of the Canada-EC Sub-Committee on Industrial Cooperation was held in Ispra, Italy on October 26 and 27, 1989. The Sub-Committee meeting was preceded by a visit to the research facilities of the European Community's Joint Research Centre, and featured presentations on subjects of particular interest to the Sub-Committee, including alternate energy sources and clean technologies in the field of air and water pollution.

The SCIC seeks to foster cooperation by identifying and analyzing areas suitable for industrial cooperation, exploring ways to facilitate such cooperation (with an emphasis on inter-corporate links and increased investment flows), and encouraging the regular exchange of information between governments, organizations and firms.

Activities of this Sub-Committee are carried out through four Working Groups reporting to the Sub-Committee, through regular policy discussions among officials from both sides, and through discussions and subsequent initiatives decided in the Sub-Committee itself.

At its meeting the Sub-Committee Co-Chairmen exchanged views on matters of general interest to both parties. Issues discussed included: the economic environment generally and specifically, in Canada and in the Community; Community progress towards completion of the Single Market by 1992; the Canada-U.S. Free Trade Agreement; Canada's response to Europe 1992; the proposed Canadian goods and services tax; and, the Canadian interprovincial barriers to trade exercise.

Currently there are Working Groups for Metals and Minerals, Wood and Paper Products, Uranium, and Food Processing. The Co-Chairmen reviewed the activities of

Working Groups, and recent activity and developments in regard to energy efficiency, medical equipment, transport industries, small business match-making, venture capital, and ocean industries.

Based on the recommendation endorsed by Ministers at their June 1989 meeting, the Sub-Committee also initiated an in-depth discussion on a specific industry sector - environment technology. The exchange of information and views proved very useful as a possible means to identify industrial cooperation opportunities.

The following outlines past and future activities that continue to be directed by the Sub-Committee:

A. Working Group Activities

(i) Metals and Minerals Working Group

The Working Group last met in late October 1989 in Brussels and involved both Commission and Canadian government officials and industry association representatives. The Group's efforts over the next year will focus on four broad areas: health and environmental questions; mining and processing policies, regulations and investments; maintaining a cooperative approach and exchange of information on commodities, such as asbestos and cadmium; and research and development collaboration in mineral processing. One special event planned over the next year is an "International Workshop on Heavy Metals and Human Health", a joint activity sponsored by the Canadian government and the Mining Association of Canada, and the Commission of the European Communities and Eurometaux, and other industry associations. As well, an EC delegation comprised of Commission officials, and EC mining industry association representatives, attended the May 1990 Mineral Outlook Conference in Canada. A separate half-day program was organized for the EC delegation to meet with Canadian government and industry representatives.

(ii) Wood and Paper Products Working Group

This Working Group last met in early October 1989 in Ottawa, and included participants both from the public sector and from industry associations. In the context of industrial

cooperation, both sides have expressed interest in forest fire fighting technology, continuing and in new wood technology (in particular, the Canadian industry product "parallam"). The Working Group also continues exchanges of information of mutual benefit on policies, regulations and programs related to the development of the wood and paper products sectors and external influences on their overall evolution. In addition, it would be useful to expand cooperation on the impact of environmental measures on the industry.

(iii) Food Processing Working Group

This Working Group last met in Brussels in mid-October 1989, and included industry association participation. A very useful exchange of information on the status of regulatory changes has enabled officials of both sides to understand the underlying basis for food standards. Both sides continue to explore means to foster firm-to-firm industrial cooperation, such as in conjunction with European food trade fairs.

(iv) Uranium Ad-Hoc Working Group

This Ad-Hoc Working Group last met in June 1989 in Ottawa. Government representatives from both sides continued their ongoing dialogue on developments in EC and in Canadian and international uranium markets; on the evolution of the nuclear power industry in general; and, on the implications of Europe 1992 on Canada-EC uranium trade. These policy-focused discussions, which also include exchange of market intelligence, have consistently proven beneficial to both sides.

B. Activities Managed by the SCIC Directly

(i) Energy

Given its particular situation, the EC has continued to manifest considerable interest in the broad sector of energy conservation, renewable energy, and energy alternatives or substitutes. The Commission has sponsored several activities whereby consultants have examined Canadian approaches to energy

conservation. As part of these initiatives, the Canadian federal department of Energy, Mines and Resources has, since the beginning of 1990, briefed several in-coming Commission sponsored delegations on the Canadian approach to efficient and alternate energies. For Canada, energy efficiency continues to be an area of great interest and activity within the energy sector. These activities also serve to introduce Canadian and European firms to potential business cooperation opportunities.

(ii) Medical Equipment

At Canada's request, both sides have attempted, by means of studies and participation at trade shows, to develop opportunities for business collaboration by way of identifying potential partners to one another. The latest effort took place at the Medica '89 exhibition in Düsseldorf where the Commission, and a representative from the European Medical Suppliers' Federation, made a presentation to a select group of Canadian companies interested in industrial cooperation activities in Europe.

(iii) Environmental Technology

The increasing importance of this sector, both in terms of government activities and of industry growth, led both sides to highlight at the October 1989 SCIC meeting relevant developments on both sides of the Atlantic and opportunities for industrial cooperation. A Canadian government representative attended, at the invitation of the Commission, the NETT (Network for Environmental Technology Transfer) Conference held in Brussels in November 1989 in order to more closely identify the prospects for EC-Canada firm-to-firm cooperation in this broad sector. Canada, at the invitation of the Secretary General of NETT will pursue discussions on accessing NETT following completion of the revised version of the NETT data bank.

(iv) Venture Capital

The role of venture capital in supporting many new business projects is recognized by both sides. Consequently, efforts have been made to put the European and Canadian venture capital

associations in more regular contact with each other to strengthen the links both between venture capital companies themselves and also among potential recipients of venture capital. The two associations have each agreed to be represented by speakers at their respective annual meetings to take place in April 1990 in Paris, and May 1990 in Quebec City.

(v) Business Match-making

Both sides have consistently sought to utilize an increasing array of mechanisms with which to permit inter-firm industrial cooperation opportunities to be explored and implemented if feasible. To this end, the Commission has invited Canada to examine the possibility of establishing a formal link with BC-Net (the Commission's on-line business cooperation network). Canada is currently studying various options to operationalize such a link.

C. Policy Discussions

(i) Industry Sectors

Canada and the EC have frequently exchanged information on the status and prospects for selected industry sectors. Most recently, the auto industry, ocean industries and the aerospace industry have been addressed at SCIC meetings. These discussions both provide relevant information to guide policy-makers and serve as opportunities to identify industrial cooperation prospects and initiatives. With respect to discussions on the automotive sector, Canada is proposing a mission composed of the heads of major automotive associations to take place in the fall of 1990. The purpose of this mission is to bring the Canadian association leaders into contact with their European counterparts; to inform the Canadian industry of industrial, political and regulatory changes in Europe; and, to expand Canadian and European awareness of opportunities for long-term industry collaboration.

(ii) Europe 1992

The SCIC meetings continue to provide a valuable opportunity for the Commission to outline the status of the progress toward completing the internal market. These discussions also permit Canada to inform the Commission of activities underway in Canada designed to assist Canadian industry in dealing with the opportunities and challenges posed by the Europe 1992 process.

(iii) FTA and Interprovincial Barriers to Trade

In similar fashion, the SCIC has provided the occasion for Canada to describe the consequences for its industry and for EC industrial interests of the Canada-U.S. Free Trade Agreement. As well, Canada has detailed the progress being made on the elimination of interprovincial barriers to trade.

III. FUTURE PLANNED ACTIVITIES

1. PREPARATORY AND GENERAL COOPERATION SUB-COMMITTEE

The priorities are to strengthen the basis of the current excellent cooperation that exists at the bilateral level as well as at the multilateral level. Focus will be placed first on finding an appropriate mechanism to permit a more effective way of financing joint research projects in sectors where both have complementarities to offer. The outcome of the discussion regarding a Community strategy on cooperation with third countries on science and technology and access by European researchers including universities and industries to Canadian R&D programs including the Centres of Excellence will permit a systematic exploration of the possibilities. Any proposed negotiation of a Science and Technology Agreement should focus on the sectors where there is complementary and mutual interest, and where cooperation is already well-advanced, or where significant potential may exist; for example, environment, infotech and telecoms, biotechnology, energy, new materials and marine technology.

An emphasis on human capital and on the sharing of common large-scale facilities should also be the focus of joint effort. Possible cooperation at the education level, bringing universities together should also be part of the mechanism to be put in place. A small initial program of exchange of scientists combined with an increased exchange between universities through programs like COMETT or ERASMUS could be examined. Closer bilateral cooperation in S&T between Canada and the EC, and mechanisms for implementing it could be explored at the Ministerial level at the earliest mutually convenient opportunity.

Companies and universities from Canada should be further encouraged to participate in European seminars, missions or other gatherings so as to become better acquainted. The Going Global Canadian program is in place to support such exploratory mechanisms.

Finally, in order to support the world effort being made to help Eastern European countries in developing better and cleaner technologies, Canada and the EC should explore common action.

2. SUB-COMMITTEE ON INDUSTRIAL COOPERATION

As highlighted in previous reports, the work of the Sub-Committee on Industrial Cooperation and its various working groups remains most successful in exchanging information on policy and regulatory developments which affect the economic and industrial climate on each side, and hence the opportunities for industrial cooperation. The value of such dialogue has been intensified as a result of the European Community's "1992" internal market initiative, implementation of the Canada-U.S. Free Trade Agreement, and other current and prospective changes in the international trading and economic environment. Environmental policy issues, as they impact upon specific industry sectors, have also attracted growing interest and find their reflection in current and future Canada-EC industrial cooperation activity.

With the substantial changes in the global competitive environment, companies are increasingly focusing upon forms of industrial cooperation which enhance prospects for technology adaptation and offer potential for investment, licensing arrangements, joint ventures, and other kinds of strategic partnering. Supportive efforts in this regard are especially relevant for small and medium-sized companies which lack experience in and knowledge of foreign markets and prospective international partners. Very considerable industrial cooperation activity is facilitated through arrangements between Canada and several individual Community Member States, or targeted on sectorally-focused trade fairs or industry association meetings. Building on recent experience, the SCIC and its Working Groups offer further potential for identifying where a Canada-EC dimension can usefully be added to, or complement, such activity.

The Co-Chairmen initiated at the last SCIC meeting the practice of focusing in some depth on an industry sector (in this instance, environmental technology) not currently or recently covered by the Working Groups. This practice proved useful as a means both of discussing sectoral issues in more detail than has been possible with past formats and of identifying a plan of action aimed at matching potential private sector partners with complementary interests. It is recommended that this approach be continued at future sub-committee meetings as a means of identifying new opportunities to expand and deepen sectorally-focused industrial cooperation links.