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PROSPECTS EXCELLENT FOR CANADA-EUROPE CO-OPERATION

A Speech to the Canadian Petroleum Association, the Independent Petroleum Association of Canada and the Canadian Association of Oil-Well Drilling Contractors, by Mr. Marcel Cadieux, Head of the Mission of Canada to the European Communities, Calgary, February 4, 1976.

Having undertaken the task of leading our Mission accredited to the EC [European Community], after 20 years in North America (15 in Ottawa and more than five in Washington), I find myself in Brussels in a European environment. The change was sudden and considerable. I am now again overwhelmed by the charm of old Europe, even if somewhat restrained by a combination of inflation and austerity. I am fascinated by the process of European construction and by the prospect of observing the new features of Europe, of stimulating new links between Europe and Canada.

These new elements -- the growing unity of Europe as well as growing links between European countries and integrated Europe, on the one hand, and Canada, on the other -- have considerable significance for us, in terms of diversification as well as economic prospects. And they have, I believe, particular significance -- indeed potential -- in a number of respects for the members of this audience, whose interest it must be to foster and develop all profitable opportunities for further expansion of business relations, including [those] with Europe. (The interest of this province in Europe was thoroughly brought home to me last fall, when one of my first encounters with visiting Canadians, and among my earliest official duties, was to receive an Alberta delegation to Europe, and in particular to accompany Premier Lougheed in his call on President Ortoli of the European Commission.) I shall come back to this aspect later in my remarks.

First, however, you would no doubt expect me briefly to situate our policy towards and relations with the European communities in the context of our foreign policy and relations as a whole.

It will not be necessary before this distinguished and outward-looking audience to dwell on the major developments in Canadian foreign policy over the past few years. Suffice it to recall that out of the foreign-policy reviews of the late Sixties and early Seventies came the decision to diversify our external relations in the interest of a healthier and more rewarding situation for Canada

and its people in the world. Work has been proceeding for several years to implement this policy and progress has been made in a number of directions, notably with Japan, with the developing countries and, of particular interest to us today, with Europe.

Please do not misunderstand me. We do not claim to have reinvented the wheel. Canadian relations with Europe have been strong and important for a long time. This continues today.

Take security. We are partners within the North Atlantic Alliance of eight of the nine members of the EC and our recent decision to upgrade our contribution to NATO is a confirmation of our strategic and other interests in Europe. We are also involved with our European allies in major efforts to promote *détente* and security in the world. We co-operated with them during the Conference on Security [and Co-operation] in Europe and joined them in signing the Helsinki Declaration. We are in close touch with them to achieve, if we can, a greater degree of security through mutual and balanced reductions in forces in Europe. We realize also that, if economic and other relations can be developed with socialist countries on a mutually-acceptable basis, this may enhance the prospects of peace and reduce the risks of military confrontation.

Similarly, in the economic field, we are already closely associated with Europe, as with others, in efforts to promote global arrangements in the trading, the energy, the monetary fields that could, *inter alia*, have a direct and substantial effect, a stimulating effect, on our relations with Europe -- for instance, in the multilateral trade negotiations in Geneva, in the monetary discussions in the IMF, in the Conference on International Economic Co-operation, in the United Nations and the OECD. What we and the Europeans and others aim to achieve to improve our relations with the Third World -- to create a more stable and an expanding as well as a more equitable economy in the world -- should also have a stimulating effect on our relations with Europe.

As you can see, at the multinational level we are working closely with the EC and EC members in a variety of fields (I have just mentioned a few) to achieve objectives that will result in an expansion of our relations with Europe. This is only part of the picture. We should bear in mind that, for many years in the past and perhaps for many years in the future, the bulk of our relations with Europe will be found in the bilateral sector -- that is, in the field of our substantial and growing and excellent direct relations with individual European countries. With most of these countries, in very many fields, our relations are close, as effective as we have been able to make them. We have promoted visits, minis-

terial meetings, exchanges of every kind. So have the provinces. There is no question that we shall not continue to expand these relations or that, as a result of more recent initiatives to develop Canada-EC relations, bilateral efforts will weaken in any way. These new relations that will be promoted, we hope, will be additional to what we are already doing. They will add a new dimension to what we have been able to achieve or will be able to develop in the future on the bilateral plane.

While, therefore, we are planning additional links with an evolving Europe, let us not lose sight of the very important fact that already, in existing international institutions or through bilateral contacts, we have achieved considerable results. What we want to do now is try to ensure that we achieve maximum benefits from our European policy and that we do with the Community, as it is now and as it may develop later, all that we can possibly do at all levels, and in all fields, with our European friends.

There are, of course, a number of important outside reasons why we should wish to relate to the European Community, in addition to Canadian policy considerations.

In terms strictly of world trade, the European Community comes first as a commercial entity. It is larger than the U.S.A. or Japan. But bilaterally the EC market attracts a little less than 15 per cent of our external trade. We are keen, naturally, to enlarge this percentage, and to improve its composition in line with Canadian policies and programs. There are mutually-beneficial opportunities for economic, financial and investment links.

But the EC is not only large, rich and attractive in many ways, it is evolving. It has already taken on many important features of a normal nation state, and this process seems likely to continue. Moreover, the various European state instrumentalities are striving to increase their effectiveness in dealing with the major problems all communities are facing today. There is an ongoing review of the powers that are best assigned to local or regional units and, at the same time, there is in Western Europe a continuing and most important debate concerning the powers, the jurisdictions, that should be combined to achieve greater governmental efficiency at the international level. How far, how quickly, should this process be pursued? Is co-operation sufficient in the main or is it necessary and, if so, in which particular areas, to go much further and to contemplate full integration -- i.e., European Union, calling for a reinforced European Parliament and executive? How effectively can one or the other formula meet the requirements of the European Community? Or is it better to combine the two, shifting possibly from

one to the other, gradually, in the light of results? Or must success be achieved not step by step but as a result of a series of sudden and drastic moves? These issues are under debate at present as a result of the report on European Union by the Belgian Prime Minister, Mr. Tindemans. This experiment is of considerable interest for us as a country. The political future of many European countries that are close to us, the very balance of power in Europe, is bound up with the outcome of this process. And less-developed countries will not fail either to draw lessons for their own evolution from the results of these bold European rearrangements of their political apparatus. These aspects reinforce the importance both of knowing what is happening and of being in a position to relate to this changing European phenomenon.

Before turning more specifically to the new ways [in which] we are starting to relate to the EC, I might just recall that, in my immediately previous assignment as Ambassador in Washington, one of my tasks was to ensure that the U.S. Administration was cognizant of, and understood, important elements of Canadian foreign policy, including our policy of diversification. The main objective of this policy is clearly to strengthen our independence through an expansion of our external relations, including trading relations with other partners. Such a course is fully compatible with -- in fact, it is a necessary component of -- a policy of friendship with the U.S.A. This "Third Option" is aimed precisely at reducing the consequences, the frictions, the problems that are the results of the over-reliance *vis-à-vis* the U.S.A. in which we found ourselves. Our problems would have increased if we had not taken these steps. Good relations with the U.S. can only benefit from a better balance in our external posture. The idea, furthermore, is not to reduce in absolute terms our trade, our economic and financial relations with our good but powerful neighbour to the South but to increase simultaneously our relations both with the U.S.A. and with our other partners and thus achieve a different and better balance at a higher general level of exchanges.

What, then, do we want to do with the Community? Apart from additional political consultations, and co-operation in specific areas such as aid, the plan is to encourage, to stimulate, relations with the Community in the related economic and industrial fields. Should fields handled by the [European] Economic Community expand in the future, it is our hope that the closer relations that we hope to establish with it will naturally extend to the new fields it will control. As I indicated a moment ago, there is no question of reducing or prejudicing in any way relations or links that exist now or may develop in the future between Ottawa and member states individually in the areas that will remain under national control. In the public sector,

the Federal Government in Canada may have an important and direct role of its own to play. Already, the Federal Government has, in this area, substantial resources and important agencies under its jurisdiction.

One of the potentially important mechanisms by which we hope to facilitate these aims is negotiation of a framework agreement for commercial and economic co-operation with the communities. This would consist of a number of elements, including consultations and industrial co-operation, which should help open, and keep open, the door to enhanced business dealings in both directions on a mutually-beneficial basis. Substantial progress has been achieved. The ground has now been largely cleared. Agreement in principle has been recorded. Of course, we have to bear in mind that the Community is a complex machine and consensus develops slowly between its several components. There is no lack of interest or goodwill, but the Community has a cruising speed of its own, and we have to adjust.

Up to the present (and there is no reason to believe that things will be different in the future), our desire to "snuggle up" to Europe, if I may speak in a such light tone, has been fully reciprocated. We have come up, in the course of preliminary negotiations, against problems of substance -- that of the competency of the Commission; we have also encountered procedural difficulties -- the question arose whether it would be better to negotiate a simple and direct Canada/EC accord or a mixed one, involving Canada, the EC and member states. In all cases, a consensus was reached reasonably quickly and easily with a maximum of goodwill. On both sides, we are broadly agreed as to the purposes of the agreement: to come closer, to work more closely together. There are, no doubt, some problems yet to be solved, but I am optimistic as to the ultimate results.

These Federal Government moves will confirm and complement provincial initiatives in this general area of relations with Europe, in appropriate fields. Already, during the few months I have been in Europe, a number of important tours have been undertaken by the first ministers of the Provinces of Quebec, Alberta (as already mentioned) and Manitoba. Whether loans, investments or increased commercial exchanges are sought, these provincial moves develop within the general framework of increased relations with Europe.

As part of this process, governmental authorities, both in Canada and in Europe, will naturally endeavour to encourage private enterprise -- this means potential investors, industrial enterprises, banking institutions, and others -- to become involved, to get into the act, to develop such links as may be to their advantage. In a

free market and [under a] capitalistic regime, in this area, there are traditional limits concerning the direct role of government and its relations with the social partners, business and labour. We may have to experiment to determine which is the most effective, the most productive and comfortable scheme. But already it seems that governments will have special jobs to undertake in terms of information, liaison, encouragement, and this, plus sensitization of opinion generally, may be quite important in achieving momentum in co-ordinating the whole move towards diversification. Already, seeking to identify prospects in what it regards as the more promising sectors -- uranium supplies, non-ferrous metals, forestry and wood products --, the Community has sent important exploratory missions to Canada to investigate, to explore opportunities. Return visits on these and other sectors are envisaged. We are also considering additional or new schemes that might be adopted to prime the process of co-operation and bring results in terms of investments. We are asking ourselves whether existing methods or channels are adequate or whether new departures are required.

The main long-term objectives of this new perspective on industrial co-operation are:

- to give a new "thrust" to trade and economic co-operation, by adopting a multidimensional approach encompassing the movement of goods, the strengthening of intercorporate relations, including joint ventures, two-way investment flows and co-operation in the field of applied science and technology;
- to bring our international economic relations into closer alignment with our national goals, such as resource-upgrading prior to export, the development of sector strategies, the strengthening of less-advantaged regions, and with the Government's policy of diversifying our international economic and trade links.

In the short run, it is hoped:

- to identify, on a sector-by-sector basis, with individual states, areas of industrial compatibility and complementarity that offer the best opportunities for fruitful company-to-company collaboration in the form of joint ventures, investments, technological exchanges and other intercorporate relations;
- to identify opportunities for industrial co-operation that firms, particularly smaller and medium-sized companies, would not be likely to uncover on their own initiative;
- in exchanging views with other states, to gain an insight into

how they deal with problems affecting industrial performance brought about by national and international developments. This will assist us in formulating Government policies and programs to benefit Canadian industry, particularly through the development of sector strategies.

The role of the Canadian Government is to identify opportunities that companies would not be likely to uncover by themselves, develop policies that will facilitate the process, act as a catalyst, coordinate, monitor progress, and generally provide guidance to the Canadian business community and the provinces. The action plan will vary from country to country, but company-to-company contact resulting in business projects is, of course, the ultimate objective of the exercise.

It is particularly agreeable and interesting, I find, to observe the process of European construction, to follow the negotiation of a "contractual link" between the EC and Canada, from Brussels, a great European centre I knew in the course of my first assignment to our embassy, at the end of the [Second World] War. I found many of my old friends and, everywhere, a strong recollection of our co-operation during the war, and an equally strong hope that, together again, we can powerfully contribute to the cause of freedom in the world, to expanding economic prospects so vital to the future of our countries. In such circumstances, unimportant details are seen in a perspective that emphasizes what brings us together, what we are seeking in partnership. For many reasons, Europe seems to be well-disposed towards us. Between Europe and ourselves, the climate, the prospects for co-operation are excellent. The time has come to pull together our resources and to take advantage of a situation that seems auspicious from all angles. This is the challenge and the opportunity that is offered all of us.

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