



Statements and Speeches

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CANADA AND THE EUROPEAN COMMUNITIES

A Speech by Mr. Richard Tait, Head of Mission, Canadian Mission to the European Communities, to the Ontario Chamber of Commerce, Toronto, October 24, 1979

I am conscious that there is a certain risk in inviting one of Canada's representatives abroad to talk about relations between this country and the country or institution to which he is accredited. Since it is my business to seize every occasion to promote Canada's interests in the connection with the European Communities — and to cultivate that relationship with all the diligence and eloquence I can command — there is a built-in danger that my analysis of the importance of buttressing our ties with Europe may lack complete objectivity. I trust, however, that...I can avoid this occupational hazard of overstating my case. And I am extremely grateful...for the opportunity to set out for this distinguished group of decision-makers from the business community why I believe Europe should loom large in our present thinking, and why we need to pay special attention to expanding Canada's economic and trading relations with Europe in the future.

It is common for speakers on this topic to start by extolling the historical links between Canada and Europe. Certainly the significance of these must never be discounted. Our economic, political and defense relations with Europe stretch back to the beginning of our nationhood. Affinities of culture and language, of social values and political traditions — natural sympathies nourished by immigration — all these have indeed laid a solid foundation on which to construct closer ties between Canada and Europe. At the same time, when it comes to economic and commercial activities across the Atlantic — and it is with this area that I am now chiefly concerned — we must frankly acknowledge that over the past two decades not all has gone as well as one might wish. On both sides of the Atlantic one detects a sense that the full potential for mutually beneficial trade and investment activity has not been realized. Stagnation would be far too strong a word. In absolute terms, there has been a healthy growth in our exchanges. Nevertheless in proportional terms, the relative importance of Europe in Canada's total external trade picture, and vice-versa, the story is less satisfactory.

The explanation for this state of affairs is to be found in the interplay of a number of factors. It would be fair to say, I think, that four developments have been particularly influential. First, we have seen a contraction in the place occupied by the United Kingdom as an overseas trading partner, a process that was accelerated by Great Britain's entry into the Common Market in 1973, which resulted in the loss of the preferential access that Canada previously enjoyed in that market and in the creation of reverse preferences on many goods of export interest to us. Second, with the expansion of world trade generally, we have seen a diversification of our export markets and the emergence of significant non-European trading partners such as Japan during this period. Thirdly, there has been the important stimulus that the

establishment of the European Common Market gave to the growth of intra-Community trade, and the degree to which European enterprise accorded priority in their marketing and investment decisions to exploiting opportunities afforded by the forging of a unified market among first six and then nine European countries. (And I will not dwell on the negative impact that the elaboration of the Community's Common Agricultural Policy has exerted on the competitive position of Canadian agricultural exports to Europe, and indeed in certain cases in third markets.) And finally, closer to home, we must bear in mind that the years since the formation of the European Community have coincided with the progressive integration of the North American economies, and the rapid expansion in our trading, investment and corporate relationships with our powerful neighbour south of the border. During years when the economic environment in North America has offered such attractive prospects to Canadian business, it is perhaps small wonder that so many Canadian firms have been reinforced in their natural predilection to look first to the United States when considering new opportunities, and have tended to devote relatively less attention to penetrating the European market.

I am sure you will agree that if, in the past, for whatever reason, Canadian business has neglected export possibilities in Europe, both Government and the private sector should take vigorous corrective action. For surely the importance of the European Economic Community on the world scene is such that by any yard stick it should rank very high indeed in our calculations about the directions Canada's trade and economic strategies should take in the future. The EEC is now established as the world's largest trading entity, accounting for over 30 per cent of global exports and imports. With 260 million inhabitants, its GNP is second only to that of the U.S.A. Its population has enjoyed rapidly rising living standards to a point where *per capita* incomes on a community-wide basis approach North American levels, while in the case of the more prosperous member states they already surpass Canadian figures.

While the history of Europe's construction has been marked by hesitations, when one looks back over the past two decades one is struck by the inherent dynamism of the process, and by the fact that it is irreversible. Progressively the European Community has assumed a genuine international personality, exploiting its economic and political weight effectively in international trade negotiations. It has instituted a continuous dialogue with the major industrial powers, and plays an influential role in the debate on the crucial problems that exercise the international community today: the world energy crisis, the international financial and monetary order, and relations with the third world. As regards the last of these, it has concluded preferential and co-operation agreements with the countries of the Mediterranean basin, and with the 55 African, Caribbean and Pacific countries party to the Lomé Convention. It is reaching out towards the countries of Latin America, and is cultivating a dialogue with the Arab States. Recognizing that their shared economic responsibility and power on the world stage logically demand greater concert at the political level, the nine member states of the Community have set in motion procedures to harmonize their positions so as to speak, whenever possible, with a single voice on major foreign-policy issues.

And internally, of course, the process of European construction proceeds apace. Over the past year, important strides have been taken in three areas, each in its own way holding considerable interest for Canada. The first of these was the inauguration last March of the European Monetary System. Conceived as a step on the road towards European monetary union, the immediate objective of this new system is to shelter intra-Community trade and investment from the effects of exchange-rate fluctuations, to assist member states in the disciplines necessary to combat inflationary pressures and, broadly, to create a zone of monetary stability that will contribute to economic recovery and growth. Although experience with the operation of the EMS has been limited, the initial results appear, on the whole, positive.

Secondly, the successful conclusion of negotiations for Greek membership in the EEC, and the opening of negotiations with Portugal and Spain, have launched the Community on its second round of enlargement. The admission of these three less-developed economies presents the Community with very real challenges on the economic as well as the budgetary and institutional fronts. It is a measure of the vitality of the European ideal enshrined in the treaties of Rome that the member States are resolved to meet these challenges. The road to an enlarged Community of 12 European nations will, I suspect, provide further stimulus to Europe's cohesiveness and sense of purpose. Challenges do produce their responses. And the challenge of enlargement will likely prove no less an exception to that rule than has the latest oil crisis, which has acted as an effective spur to previously lagging attempts on the part of the nine to formulate a common energy policy.

The third notable Community development in 1979 was the holding of direct elections last June to the European Parliament, the first multi-national elections to a representative institution in world history. In common with many historical events, the significance of this occurrence will require the passage of time before its magnitude can be fully appreciated. In due course, however, I am convinced that it will be seen to mark a milestone in the construction of Europe.

The fact that Europe's Parliament is now composed of the directly elected representatives of the people of the member states will lend to the Community's decisions a legitimacy that heretofore was absent. It means that Jean Monnet's dream has been brought that much closer to reality — the dream of uniting not simply the governments, but the peoples of Europe. And I would argue that all this is not so remote from Canada's interests as one might suppose. For one thing, in a world where democracy is becoming rare, we should draw encouragement from the knowledge that henceforth the impulsion towards European integration and political co-operation will find popular expression in the institutions of the Community itself. For another, we can expect that the European Parliament, like most parliaments, will be impatient with technical answers to essentially political and social questions, especially when these technical and bureaucratic responses are expensive. So, for example, it would not be surprising if those in Europe and elsewhere who feel that a major overhaul of the price structure and operation of the Common Agricultural Policy is overdue should discover articulate allies among the ranks of the new European parliamentarians, allies who will act as an effective lobby in bringing home to the Council

of Ministers the need to lighten the fiscal burden Europe's farm policies now impose.

I should now like to turn from this recital of the Community's achievements to look at the operation of the agreement that Canada and EEC signed just over three years ago. This agreement represented something of an experiment, being the first of its kind for both parties. Its formal provisions, with which many of you are familiar, may be quickly summarized. In the first place, the Framework Agreement for Commercial and Economic Co-operation does not establish a preferential arrangement, but rather commits both parties to sustained, deliberate, and high-level efforts to promote reciprocal trade, investment, and technological co-operation through whatever means may be found most suitable and promising. Secondly, under the aegis of a Joint Co-operation Committee, meeting normally once a year at the ministerial level to review progress and establish work programs, a series of sub-committees and working groups have been formed. These deal at the working and technical level with a number of sectors that have been identified as fertile areas for collaboration. They cover forest products, the nuclear industry, non-ferrous metals, the aerospace industry, telecommunications, data processing and so on. Exchange programs in the environmental field and in science and technology are also included. Commercial missions from the private sector have been organized on a regular basis in both directions. And a start has been made on putting together seminars designed to make the business communities of the two parties more familiar with various facets of the commercial and investment environment relevant to business decision-making in the European and Canadian contexts.

Our joint endeavour throughout has been to maintain a pragmatic and open-ended approach. The objective is to use the agreement as an evolving instrument for more intensive co-operation between Canada and the European Community in whatever field we can identify as offering promise of mutual advantage.

It goes without saying that this type of framework agreement, however imaginatively conceived, however assiduously pursued, depends ultimately for its success not on the goodwill and aspirations of its signatories, which are governments, but upon the decisions of individual businessmen, industrialists and investors. The role of government in promoting relations between market economies is properly circumscribed. Nevertheless, given the pervasive interaction between the public and private sectors in modern industrial societies, it would be rash to disparage the part governments can play in opening the way to the expansion and diversification of economic relations between major trading entities, in this case the European Communities and Canada. Governments can be of assistance in bringing businessmen together. They can help in promoting a mutual awareness of opportunities and in fostering individual contacts between entrepreneurs with complementary interests. Getting to know each other better is more often than not an indispensable first step to doing business together. Here government's help can often be decisive, more particularly when smaller or medium-size enterprises are concerned. Governmental regulation can impose obstacles to the free flow of goods and investments; and by the same token governmental co-operation can remove these obstacles. The resources of governments can be channelled towards technological development and can stimulate

co-operative ventures between firms across international frontiers. And government can put at the disposal of the private sector its not inconsiderable resources for systematic information-gathering, analysis and dissemination, with a view to uncovering new possibilities for profitable co-operative initiatives by the industrial sector. In short, governments can and do act as midwives for expanded trade and investment activity at the international level – even if the legitimate parents of this activity remain at the private level. In a word, this is what the framework agreement between Canada and EEC is all about.

Very frankly, I am astonished that this sensible and logical arrangement we have concluded with the Community seems to have received in Canada a rather cool press. I find it difficult to understand the skepticism I frequently encounter regarding the intrinsic value of the mechanisms we have established under the framework agreement. It may be that the expectations created at the time of its conclusion were unrealistic. It may be that Canadians were inclined to believe that in some miraculous fashion a dramatic upsurge in business activity with Europe could be anticipated from the mere signature of the agreement. It may also be that some of the terminology we employed in describing this joint venture may have contributed to this impression. Personally I would not be sorry to see such expressions as "the contractual link" or "the third option" dropped from the vocabulary we use when describing our policy approach to fostering a more dynamic and diversified relationship with the Community. The one term – "contractual link" – could be taken to mean a preferential arrangement which, of course, the agreement is not. The other expression – "the third option" – could imply that a range of genuine choices exists for Canada among which we can pick and choose as we please. To my mind it is totally illusory to suggest for one moment that a sovereign Canada, dependent more than most on international trade for its prosperity, and concerned more than many with the development of the smooth functioning of the international trading system, could afford to neglect any avenue which could serve to stimulate our overseas relationships. And this is the more true when it comes to one designed to favour the deliberate intensification of our ties with a trading partner possessing the sheer economic clout the EEC now enjoys.

The real question, therefore, has never been whether the European Economic Community deserves more attention on Canada's part, but quite simply how our efforts could best be channelled and organized.

Another non-problem is posed by the notion that increased emphasis on Canada's economic policies towards Europe need operate at cross-purposes with the geographic and economic imperatives underlying our relationship with the U.S.A. Those imperatives are too compelling for there to be any danger that the acceleration of our exchanges with Europe will weaken the fabric of our North American relationships. (Bear in mind those well-worn statistics: over 70 per cent of our exports to the U.S.A. versus only 11 per cent to the Community.) More to the point, it seems to me, is the need for Canada to come to grips with an international trading system, which in the wake of the Tokyo Round is a system dominated by industrial giants. In such company Canada's margin for manoeuvre will surely depend on the extent to which

we can entertain vital and expanding relations with all our major partners.

In this endeavour our Framework Agreement with the EEC can continue to play an important part. It supports and complements the trade and investment promotion efforts that Canada undertakes with individual member states of the Community on a bilateral basis. To pitch the matter in minimum terms, the mere fact that the agreement is there means that there is always a group of influential bureaucrats at the Community level in Brussels, well-informed about Canadian developments and concerns, and committed to working with us to produce results. On the Canadian side, the Committee structure and consultation procedures we have developed are designed to involve the provinces closely in our activities — an important consideration given provincial responsibilities in the resource area.

I would be the first to acknowledge that thus far the tangible results that may be directly attributed to the agreement are modest. Here we must remember that its life-span has coincided with a difficult period for the world economy, the end of which is not yet in sight. And yet I believe we have made real progress recently in sensitizing Europeans to Canada's capacities in areas other than the primary resource sector of our economy, on which traditionally our export trade with them has been based. Furthermore, troubled as they are by the particularly severe implications of the oil crunch for Europe's long-term growth prospects, Community officials and industrialists are intrigued by the investment possibilities afforded by Canada's favourable energy base, as well as by the prospects for technological collaboration in the energy field.

So to conclude, the essence of my message is this: the volume of Canada's trade with Europe is bound to grow. The size of the Community's appetite for our raw materials, if nothing else, will see to that. What is less certain is that Canada will reap the maximum advantage from the possibilities which exist, in terms of raising significantly the present small component that finished products and manufactured goods represents in our exports to the Community, in terms of attracting employment-creating investment, and in seizing opportunities for increased links with Europe in the area of high technology. To realize these opportunities will require patience and determination. It is not going to happen quickly or easily. A determined, concerted, and prolonged effort involving the closest co-ordination between the Government and the private sector will be required. But the potential benefits Canada stands to derive from the process deserve nothing less.