

# behind the headlines

## CANADA AND THE EUROPEAN COMMUNITY

a conference organized by the  
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Commission of the European Community

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# CANADA AND THE EUROPEAN COMMUNITY

## Introduction

The new Europe . . . Will it be a new dynamic community leading to a new wave of prosperity in the world? or will it be an inward-looking regional bloc? Will it look at North America as a continental bloc? or will it recognize that two countries are involved, each with its separate policies? These are vital questions – for Europe and for Canada.'

This was the outline for the first public conference on Canada and the European Community, which the Canadian Institute of International Affairs organized in Ottawa in November 1973, in co-operation with the Department of External Affairs and the Commission of the European Community.

The conference reached no conclusions and made no recommendations. That was not its purpose. It was intended to be an opportunity for Canadians to learn more about the Community, and for the Community to hear what Canadians are thinking. Some 200 people took part, from Europe, from all parts of Canada, and from a wide variety of professions. The impressions they took home with them are undoubtedly many and various. The Europeans present may have been surprised to find the age-old debate about Canadian identity surfacing, and the Canadians are likely to have been impressed with the progress Europe is making towards its goal of complete economic union by 1980.

What follows is not a polished analysis of the conference. It is a collection of speeches and reports. As such, it may have a certain raggedness. At the same time, it captures the flavour of the occasion. For those present, it will remind and refresh. For those unable to come, it indicates the breadth of the discussions. For everyone, it will raise questions.

The Institute is grateful to the Community and to the Department of External Affairs for their support in organizing the conference. We are grateful too to the participants for the part they played in making the sessions come to life. We hope it may have contributed towards a better understanding of relations between Canada and the European Community on which so much will depend in the years ahead.

Robert W. Reford

## **Sir Christopher Soames**

Vice-President, Commission of the European Community

I am delighted to be with you here in Ottawa, and privileged to have been invited to address such a distinguished gathering, in which so many different talents and interests are united. The theme of your conference, 'Canada and the EC,' is one to which it is a particular pleasure for me to speak on my first official visit to Canada as a European.

I should like to begin by offering you a few thoughts on the enlargement of the EC. It is perhaps forgivable for a Britisher to fall into the temptation of regarding 1973 as Year Zero for Europe, as if its real history only began with British entry. This is of course far from the case. It was, after all, Britain which joined the Community and not the other way round, and we from the new member states are the first to recognize the debt we owe to the imagination and steadfastness of purpose of an earlier generation of European statesmen. We have embarked this year upon an enterprise already well founded. Our aim, therefore, if I may paraphrase one of our political leaders, is change with continuity. But the Community of Nine is different from the Community of Six, and nowhere is this more evident than in our relationship with the outside world and in particular with countries of the Commonwealth which have had such close historical, cultural, and economic links with one of the new member states.

What will be of concern to you now is where this new enlarged Community is going and how will it touch the interests of Canada. The far-reaching objectives which the nine member states set themselves at the European summit in October 1972 showed clearly their determination to make a quantum leap forward. The aim of the Nine in the course of this decade is to achieve a European union, and in the process to transform the whole complex of their inter-state relations. This energy and ambition does not call a halt at the frontiers of Europe, for the Community sees its vocation as worldwide. 'Europe,' said the summit communiqué, 'must be able to make its voice heard in world affairs and to make an original contribution commensurate with its human, intellectual and material resources.' Or, as Mr Heath put it at the same meeting: "Together we are setting out today to build something that will be greater than the sum of our

individual efforts. We are seeking not to submerge our national personalities but to combine them together into a European personality that will make its weight felt, that will speak for peace and moderation, that will serve and protect the values we share.'

These, then, are the aims for the future. But what of the present reality? Has it not often been said of the Community, up to now at least, that it has been an economic giant, but a political dwarf? There is truth in this. I would be the first to admit that the lack of common policies in many important fields is a handicap to Europe. And we have to acknowledge that much of the impact of the Community on the external world has hitherto tended to be a second-hand and in some ways haphazard consequence of internal decisions, rather than the result of a deliberate and responsible effort on our part to work out our place in world affairs. Put another way, there have up to now been few examples of a systematic and comprehensive Community approach to external relations.

In the early years of the Community, a certain preoccupation with its internal development was natural and perhaps inevitable. Over the next few years, we shall, I think, be seeing a number of changes in the Community's international style and bearing. This was what the European summit meeting of October 1972 was about. And the year that has passed since then has confirmed the trend towards a more purposive definition of the Community's relationships with its main international partners.

The new dynamic impulse within the Community has come at a timely point in the affairs of the western world, where a new and more fluid economic, political, and security situation is emerging. In the economic and commercial field, new problems and challenges are with us, and others will be upon us before very long. The mere list of them is eloquent. An effort must be made further to liberalize world trade and to resist the forces of creeping protectionism which might otherwise divide the world into separate and perhaps hostile economic blocs. The international monetary system must be overhauled and renewed; for Bretton Woods is now a museum piece. We must take account of the new strength and dynamism of Japan. The poor are still with us, and the gap between rich and poor nations growing rather than diminishing. So there must be a sustained effort to promote greater understanding of the problems facing the developing

countries. Can we guarantee future supplies of energy and raw materials? Can we maintain growth and still safeguard the environment? All these are issues which the large industrialized countries have an interest in considering together.

In all these matters, Europe owes it to itself and to others to play a full and active part and to rise to the responsibilities of its economic size and strength, which is very considerable.

The Community of the six continental countries was already an entity of economic consequence. With the entry of Britain and two other new members this year, the Community has now become very big business. A few figures will illustrate my point. The enlarged Community accounts for roughly 40 per cent of world trade and of world monetary reserves. It is responsible for over one-quarter of the free world's merchant fleet and virtually one-third of the free world's development aid to the poorer countries. It produces nearly one-quarter of the world's steel. Its population is larger than that of either the United States or the Soviet Union.

Now this new Europe may not, for the reasons I have mentioned earlier, be a monolith, and it may not yet have moved very far along the road to its own internal unification; but it is nevertheless clearly an economic giant. As seen from Canada, I imagine the question must be: what sort of giant? Will it be a gentle and well-intentioned giant, or some selfish and tyrannical creature? As the organizers of your conference have phrased it: will it be a dynamic community leading to a new wave of prosperity in the world? or will it be an inward-looking regional bloc?

I personally have no doubt about the answer to this question. I maintain that the European Community is not today, and never could become, an inward-looking regional bloc. There are many reasons for this, but let me illustrate my argument by reference to the Community's position and record in international trade and to our policies with regard to the developing world.

To take international trade first. The enlarged European Community stands today at the crossroads of the world's trading system. It does not have the means, even if it had the desire, to be a self-sufficient economic unit. It simply does not have the resources to become one. For our energy, for our basic raw materials, for many of our requirements for manufactured goods, for some of our food and for certain areas of our technology, we need to look

beyond the frontiers of the Nine. This interdependence with the outside world is reflected in the pattern of our external trade. Let us look, for the purposes of comparison, at the United States. In 1971, as a proportion of American Gross National Product, United States imports ran at just over 4 per cent. For the Community of the Nine, the figure was over 18 per cent.

As to our attitude towards trade liberalization, this was clear for all to see in the Kennedy Round negotiations in the 1960s from which the common market of the Six emerged with a lower average industrial tariff than most of its partners – lower, incidentally, than that of the United Kingdom. In the new round of world trade negotiations, which were inaugurated in Tokyo in September 1973 and which are to run their course in Geneva over the next two years, the Community has from the very beginning taken the lead and is determined to show concrete proof of its willingness to travel further along the path of liberalization. We have no intention of reclining smugly on the fading laurels of the past. There are sufficient signs of protectionist tendencies in the world about us, sufficient accumulation of trade grievances, for us in the European Community to have the fullest incentive to maintain the momentum of the 1960s, a momentum which helped to stimulate what has been one of the most remarkable upsurges ever seen in world trade.

My second illustration of the outward-looking character of the Community is by reference to our policies towards developing countries. Here, too, the Community's record is a fair one. We have opened our markets to the products of the developing world, both under our generalized preference scheme and under the association agreements which we have concluded, or are concluding, with a number of countries with close historic and geographical links to the member states of the Community. In 1972, for example, exports from the developing countries to the value of us \$10 billion were able to enter the European Community tariff-free. In the same year, the aid flows from the nine member countries of the Community totalled well over us \$7 billion, of which \$3½ billion was governmental development assistance.

The over-all picture is, I submit, one of sustained Community concern for the developing world. This concern is not mere altruism. It is I believe also an expression of enlightened self-interest. And interest never lies. Whatever their nature, these are not the

motives of a Community which has turned its back on the problems of the Third World, or has resigned itself to accept fatalistically and even complacently the present cleavage between north and south, between the industrial world and the countries which are still struggling to achieve economic take-off.

But enough of generalities. Let us now take a look at bilateral matters and consider the future course of the Community's relationship with Canada. You have set as one of the dual themes for your conference the question: Will the New Europe look at North America as a continental bloc? or will it recognize that two countries are involved, each with its separate policies?

Here also I can give you a clear answer. Canada was explicitly singled out in the communiqué of the Community summit twelve months ago as a country with which the Community was determined to maintain what was described as a 'constructive dialogue.' In the European Commission, it has been our task since then, and it is our firm purpose, to give this dialogue serious content. The imaginative response we have met with from the Canadian side in this pioneering work has been encouraging for us.

How exactly do we see Canada? Obviously, there is Canada's role as a country of fast increasing industrialization and as the possessor of large supplies of energy, raw materials, and agricultural produce in all of which the Community as a major consumer of these supplies is vitally interested. Obviously, also, we assess Canada as an important trading partner with whom we hope to trade increasing quantities of industrial goods and services.

More than this, however, Canada appears to us as a country whose approach to world problems is similar, and in many respects identical, to the approach which the European Community itself is seeking to adopt. In our desire, for example, to secure a further liberalization of world trade and to promote a new and more satisfactory balance between developed and developing countries, we believe that Canada and the Community are walking the same road together.

And perhaps more importantly, we see in Canada a country of wide interests and aspirations, endeavouring, as we read it, to assert its own distinct identity. We would like to respond to this wish. We do not consider that the Community should be seen in crude terms as some form of 'alternative' to Canada's links with



the United States or the Far East. We know that Canada is fully as much a North American and a Pacific rim country as it is a transatlantic creature with roots in western Europe. But we do consider that Canada and the Community have their own particular and individual relationship to work out, and I hope that Canada would see advantage in the development of a European dimension.

These, then, are the general lines along which our thoughts in Brussels are moving. Our attitude, I hope you will agree, is very much a positive one. But I am not such an innocent as to claim that everything in the garden is lovely. For example, the entry into the Community of a country like Great Britain with traditionally close economic ties with Canada of a preferential character has given rise to certain unavoidable difficulties. While the countries of the enlarged Community together constitute Canada's most important trading partner after the United States, well over half of Community imports from Canada are still accounted for by Britain alone, and many of those Canadian exports are having for the first time to face a tariff on the United Kingdom market. And we are conscious of your concern that, while Canadian exports to the Community have risen steadily over the past decade, American and Japanese exports to the Community have been able to rise faster.

But these are not problems which should daunt us. They can be tackled with patience and perseverance. In the negotiations at Geneva, under article xxiv, paragraph 6, of the GATT, we are working to offset some of the immediate adverse consequences to Canada which have arisen from enlargement of the Community. Wider opportunities for both industry and agriculture will arise in the multilateral trade negotiations which opened in Tokyo in September. One of the Community's aims in these negotiations will, for instance, be to obtain an expansion of world agricultural trade in stable conditions. I would emphasize the word *stable*. The recent unforeseen shortfalls and disorganization on world markets have reinforced the case for a new approach to possible world commodity arrangements.

The essential point is, I think, that in all that we are doing, whether directly between Canada and the Community, or in wider international settings, we both share the basic aim of increasing the flow of trade and investment between us. In this

connection, I believe that there is real scope for something bold and imaginative in the field of joint industrial ventures. We must swap technology and expertise; we must open up investment and markets in both directions. The public sector will have its part to play in this, in tracing the economic framework and laying down, where appropriate, the rules of a new game. In the private sector, we need to get together the bankers and engineers, the managers and market experts, to see whether there can be a larger European contribution to Canada's own economic self-realization. Is it not worth considering what more European business and banking can do to invest in Canada's future and to provide outlets for what Canada's future will produce?

In conclusion, I should perhaps emphasize that we are talking here about a two-way process. We in the Community will do our best to develop what I will call our Canadian dimension. In return, we look for equal effort and encouragement on the Canadian side also. We in Europe cannot work singlehanded: you must define your relationship with us, as we define ours with you. For both of us, this is perhaps in the last analysis a problem of identity. Europeans looking at Canada in recent years will usually at some point have asked themselves: whither Canada? Just as you at this conference will very properly and pertinently be asking yourselves: whither the Community? In Brussels, while we aspire to a European identity, we still have far to go in defining this identity more closely and in translating it into definite courses of action in our practical day-to-day lives. I know that you in Canada have made big efforts also to reassess and then to assert a specific Canadian identity in the modern world. Being one nation, you will no doubt find it easier, and progress more rapidly, than your nine European cousins. We wish you well, and invite your good wishes in return.

**Tim Creery**

Editorial Page Editor, The Gazette, Montreal

Unfortunately I am not a futurologist, so I cannot fulfil my assignment and tell you where we *will* be in Europe-Canada relations in 1980. I am, however, an editorialist; so of course I can tell you where we *should* be. What I have in mind on this panel of Euro-

pean and Canadian participants is to limit myself to a few ideas about what *Canada* should be, dwelling on those aspects of development that would be conducive to a productive relationship with Europe.

I will mention first my own occupation, journalism. The press of Canada has failed badly to give Canadians an appreciation of the opportunities for national growth – economic, cultural, political – in the promotion of links with the European Community. This has not been through any antipathy toward Europe in particular, but through a general failure to develop a tradition of international correspondence in Canadian journalism. With development of that tradition, Europe will, I believe, be accorded – as the French say – *une position privilégiée*, for all the reasons of mutual interest that have been discussed at this conference.

To develop this theme briefly, I think Canadian papers have become much less parochial within Canada over the past generation; that is, events in one part of the country are regarded as more newsworthy in other parts than they used to be. I think a natural sequence would be a further broadening of interest to a new awareness of Canada's place internationally. Indeed, the foundation of this phase has already been laid – first, and for more than a generation, with the stationing of permanent correspondents in the countries of greatest influence on Canada (that is, in Washington, in London, and, to a lesser extent, in Paris) and, more recently, in places like Moscow, Peking, Nairobi, Rome, Bonn, New Delhi, Hong Kong, Buenos Aires, Tokyo. Now admittedly these more recent postings have tended to be intermittent, as though we were testing the water here and there; taken together they represent a long overdue, quite inadequate, but at least faintly promising increase of Canadian foreign correspondence.

Anyway, by 1980 I think we should – even will – have a few permanent correspondents in Brussels, covering the European union. We may even have editors back home who understand what they are writing about.

I only mention this as one of the desirable journalistic complements to what I hope will be the development of a much greater Canadian ability to exert itself internationally. On the extent of that ability depends the extent of our relationship with

the European Community. Much has been said at this conference about a policy of 'diversification' to lessen Canadian dependence on the United States. This, however, will be merely the substitution of gang rape for simple rape unless Canada's capacity for economic self-assertion is developed beyond a competence to lie back and enjoy it.

We have already developed through private enterprise, and through public and mixed enterprise at both the federal and provincial levels, a number of firms that are important to this country in affirming its presence internationally. To give but a couple of examples, Polysar, now part of the Canada Development Corporation, has important investments in Europe and Atomic Energy of Canada Limited has developed nuclear power technology that appears likely to find its place soon, in a joint venture with Italian industry, in the European Community.

We will shortly have on the statute books investment screening legislation which, though leaving a loophole for enterprises – mostly American – already established in this country, will nevertheless apply the criterion of 'significant benefit' to new foreign investment proposals in Canada. With the screening legislation and steady fostering of indigenous enterprise of large scale, we should be able to mould an economic strategy that will steadily increase the prospects for co-operation with Europe – in part simply by having more decision-making over our resource exploitation and industrial development made in Canada rather than in the United States.

I am thinking of the development of a number of conglomerates of the nature of the Canada Development Corporation, particularly of an integrated national petroleum enterprise with majority government control, with the general objective of Canadian occupation of those economic sectors that are particularly subject to American domination and at the same time particularly important in asserting Canadian interests internationally. The types of policies and instruments I have mentioned will of course raise no problems for Europeans, since all of them have European models, and indeed there could be a natural conjunction of interests – and profit – in participating in one another's development. They would, of course, alter the Canadian-American relationship – but that is a relationship that badly needs altering.

We should also by 1980 borrow Louis Armand's idea of

*fédéralisme à la carte* and apply it in creating an international agency for the control of the multinational corporations. The concept of free trade, which favours the big battalions in any case, has become rather irrelevant in large sectors of the international economy, is indeed illiberal if it means leaving the multinationals free to do as they will. The issue of the multinationals has been referred to the Organization for Economic Co-operation and Development – a sure way of getting nothing done about it. It must be rescued and put in some operative forum capable of establishing a regulatory framework that will at once protect consumers and foster fair competitive conditions for multinationals having their origins in small and large states alike.

Owing to lack of time, I must rush over a number of other things we ought to do before 1980 to give Canada a suitable stance for an effective relationship with the European union:

- things of a marginal military nature, like withdrawing our reserve force in Europe, as a token of our encouragement for European defence unity and as a contribution to the defence requirements of the Canadian NATO area;

- things of a technical political nature, like a unilateral declaration of independence from Britain to tidy up our constitution, making it amendable here in Canada and dropping the anomaly of retaining the British monarch as our head of state; after all, we don't want Britain's European partners to feel we are showing it special favours;

- things of a social nature, like the adoption in Canada of the idea making such headway in Europe, participation or *Mitbestimmung*, in order to make sure that to the extent we adopt protective measures, they are fully shared by employees as well as owners and management;

- perhaps even things like a change in nomenclature, such as re-naming Canada the Canadian Community. I never worry myself about whether Europe is going to be a confederation or a federation – I think of it as something new, a community. It has a nice homey, companionable sound to it and there's no limit to the number of nations you can have in a community.

Well, there just isn't time for all the things I wanted to take up. But we editorialists are familiar with that kind of problem. We cannot set the whole world to rights every day – we have to proceed bit by bit.

## Round Table I    Trade and Agriculture

Discussion leaders: **Camille Becker**, head of external relations, Commercial Policy Division, EC Directorate X (Press and Information); **Théo Hijzen**, deputy director-general, EC Directorate I (External Relations); **Louis-Georges Rabot**, director-general, EC Directorate VI (Agriculture); **David Kirk**, executive secretary, Canadian Federation of Agriculture; **A W A Lane**, general director, European Affairs Branch, Department of Industry, Trade and Commerce. Chairman: **Forrest Rogers**, economic adviser, Bank of Nova Scotia.

The work of the morning session began with a presentation by Mr Becker, covering the following points: clarification of certain myths which have grown up concerning the European Community (EC); response to the objective of unification by 1980; an historical review of the problem of trade and agriculture within the EC; the problem of non-tariff barriers, and the policy of the EC on this point; the difficulties of the agriculture sector in view of the political implications, and the objectives set by the Community in this area. Mr Becker concluded by stating that economic and agricultural policies had been based on the Six, and that the enlargement of the Community will require a reshaping of these policies along more liberal lines.

The question period dealt with such problems as mechanization in the agriculture sector, the EC decision-making process from a regional standpoint, the monetary problem, the abolition of tariffs within EC territory, and the Community's tariff policy towards nations outside it.

Another aspect discussed may be described as the need to refurbish our image as Canadians in respect of the EC. Certain delegates drew the attention of the Europeans to the fact that the characterization as North Americans long applied to us has now become obsolete. This contention was based on the very different approaches taken by Canadians and Americans in matters of international policy.

The first afternoon session began with an address by Mr Hijzen. He showed, first of all, that trade negotiations had a very special significance, in that their aim was to liberalize trade, the only alternative in his opinion to a better distribution of resources.

Mr Hijzen stressed that the main purpose of such negotiations was to improve the quality of life. Similarly, he explained that each of the parties taking part in trade negotiations had to define its position clearly, or the negotiations would move rather slowly. The problem of multinational corporations was discussed. Mr Hijzen differentiated the aims of trade negotiations from those of international investment, but emphasized that abuses should be prevented without at the same time limiting freedom of investment.

Mr Hijzen's presentation was followed by that of Mr Rabot, who indicated that certain changes were becoming necessary in agriculture in favour of third countries. Any agriculture policy had to be suited to the times. He went on to say that EC agricultural products complemented those of Canada, and that while at first sight some products duplicated each other, there was complementarity in terms of quality.

Mr Kirk expressed the disquiet felt by Canadians over pricing and the entry of Canadian agricultural products into the European market. Mr Rabot then observed that the European approach would be based on the capacity to meet the demand and on consultation with exporting countries.

The second afternoon session was opened by a presentation from Mr Lane. He began by noting that discussion of Canada's relations with the EC often reverted to the theme of option III (one of the policy choices in relations with the United States). Mr Lane noted certain points relating to the over-all problem of our relations with the EC, such as complementarity of products, growth in the Community's market potential, problems of adjustment resulting from enlargement, and the increased importance of multilateral negotiations.

The discussion that followed, though brief, centred on the need for the greatest possible liberalization of international trade.

## Round Table II     Industry and Technology

Discussion leaders: **R Lewis**, assistant to director-general, EC Directorate III (Industrial and Technological Affairs); **G Burghardt**, assistant to head of division, Relations with Canada and the USA, EC Directorate I (External Relations); **Roger A Bull**,

director, Commercial Policy Division, Department of External Affairs; **Roy A Matthews**, Economic Council of Canada; **Campbell Stuart**, director-general, Office of Industrial Policies, Department of Industry, Trade and Commerce. Chairman: **Albert Legault**, director-general, Centre québécois de relations internationales.

At the end of the discussion it was confirmed that the EC is outward looking. It is attempting to develop bilateral and multilateral relations with many countries and is establishing contacts with Canada in order to discover areas of mutual interest. Since Canada is a high-cost producing country, it appears at this time that it will be difficult to establish what products can be exchanged between Canada and EC members, since every country aims at self-sufficiency.

The opening speech was made by Mr Matthews. He said that in terms of economic development, Canada is an undeveloped nation. Electronic equipment and cars will soon be produced cheaper and more efficiently in low-wage countries, just as shoes now produced in Hong Kong are cheaper than those made in Canada. Canada's economy is based less on the production of goods as such as on technology. The most advanced countries develop export 'know-how' technology. The United States, for example, has stopped exporting manufactured goods. Instead it is exporting manufactured industries. Canada is not well placed at all for this. For a country to be successful, it needs to develop an efficient industrial complex, but Canada is not in a favourable position because of the trade barriers that prevent Canada from competing. In fact, Canada could be described as the world's most advanced underdeveloped nation. To remedy the problem, Canada has gone into multilateral trade negotiations where free trade was a pre-condition.

In the subsequent discussion, a Canadian participant spoke about the transfer of technology among Europe, Japan, and the United States. He said that the key factor for a post-industrial society is technology. Nevertheless, it is not necessary for all countries to go through all the stages, and he cited the case of Israel which had imported its skilled industrial labour. He also stated that the metropolitan periphery is a relative rather than an absolute concept since there are many centres and peripheries.



Another Canadian participant admitted that the transfer of technology was, in principle, easy but wondered whether it could be done efficiently. There are three factors needed to operate technology: (1) managerial adaptability and willingness to try; (2) professional resources; and (3) manufactured material and competence. There will be very serious disadvantages for Canada as long as we produce at high prices.

A representative from the British high commission said that talk of 'poor little Canada' is unconvincing. Canada has problems with the United States but also has many positive economic advantages. As the EC develops, it should provide Canada with a more promising market. The advantage of a population of 20 million is that there is no need to cover the whole field.

A Canadian economist talked about the problem of Canada's expectations. The big difference between Canada and Europe lies in what each side wants. Europe is looking for resources and not products. Clashes are to be expected when non-tariff barriers are being discussed. One of the Canadian journalists present strongly opposed these comments. He favoured stronger provincial governments. Regions do not (should not?) accept national economic policies. Strong provinces would create a series of regional economies. He added that it was hard to conceive of Canada's cultural identity.

A Canadian consultant said that Canadian industry was very reluctant to adopt new ideas and another participant mentioned it was difficult to market for 22 million citizens.

Mr Legault summarized the morning session in agreeing with Mr Matthews that the transfer of technology was an easy process, citing the case of Israel. The session also agreed that Canadian industry tended to be conservative.

The afternoon session opened with a statement by Mr Legault on Canada and the European Community. It is a known fact, he said, that the EC is primarily interested in Canadian resources and that Canada would like the EC to be more interested in Canadian manufactured products. It was acknowledged that Europe was moving toward a situation where a market of 250 million in a free-trade area would be better than the United States market.

Mr Lewis, questioned on the EC, said that a homogeneous market in Europe is not a reality yet, because many obstacles still exist. The main task of the EC was to remove these obstacles. Mr

Burghardt acknowledged that the aim of the Common Market was a political union. However, it has not gone far on this road. Its year zero was 1958. Since 1970, a new stage had been reached because after twelve years tariff barriers had been removed. A new aim of the EC is to achieve decisions without having to go to national parliaments. However, it has not reached a situation where we can talk of a political Common Market. There are still national frontiers. There is also no policy yet with regard to multinational companies. The Community is not against investment and trade is being liberalized by cutting tariffs, but the political Community is not yet strong enough to regulate multinational companies.

One of the Canadian participants said that the basic assumption of this conference was wrong. It should be on inter-firm trade instead of international trade. There should be more conferences of firms. We are, he said, talking trade with assumptions which are no longer true.

Mr Lewis mentioned that the EC had not *yet* achieved unity and integration. European countries were trying hard to achieve a feeling that they belonged to the Community. The United Kingdom was also searching for a place. The main dilemma for the EC countries was whether or not to give up some of their national sovereignty to the EC.

Mr Matthews said that he has been supporting European integration for twenty years. For this reason, he did not think that Canada should favour free trade with the United States.

Later in the discussion one participant asked the European representative what Canada could offer to Europe. Mr Burghardt replied that resources were all that was needed, but that this could change.

Mr Bull then elaborated on Canada's close relationship with the United States before 15 August 1971. However, he made the point that some day in the future we might find ourselves on the side of Europe and not of the United States. Mr Burghardt went on to say that Canada seems concerned that multilateral agreements are being threatened. He also emphasized to the European representatives that Canada was not the United States, and that Canada wanted to be looked upon as something else than a provider of resources, a point Sir Christopher Soames understood very well.

### **Round Table III      Resources and Energy**

Discussion leaders: **J Beck**, EC Directorate I (External Relations); **Michael Davis**, director, EC Directorate XVII (Energy, Safeguards and Control of Euratom); **Costantino Friz**, director of industry, trade and diverse sectors, EC Directorate III (Industrial and Technological Affairs); **Ubaldo Zito**, Environmental and Consumer Protection Service; **John Stahl**, head, Economic Analysis Section, Mineral Economics Division, Minerals Branch, Department of Energy, Mines and Resources; **A P H van Meurs**, chief, International Petroleum Development Division, Department of Energy, Mines and Resources. Chairman: **Alan B Hockin**, executive vice-president (investment), Toronto-Dominion Bank.

The first session was devoted to non-energy resources and the chairman began the discussion with the question of exchange rates in the export of minerals and the possible effects on Canadian life and trade.

Mr Stahl then described the change in Canadian attitudes to mineral policy and outlined the federal government's new mineral policy programme, stressing the significance of federal-provincial agreement on a set of policy objectives. He pointed out that there is a new willingness in Canada to take a more realistic view of other producer nations.

One of the participants stated that, in his opinion, the world is no longer beating a path to Canada's resources. He said the advantages Canada previously enjoyed – including political stability – are declining, that capital and know-how are increasingly mobile.

The question of EC-Canada trade, including EC restrictions and tariff policies, trade in specialized areas, and greater processing in Canada, was briefly discussed.

Mr Beck commented on the growth of Canadian self-awareness of its strength. He wondered whether there was a distinction made, particularly in trade policies, between realistic self-interest and protectionism. He stressed that Canada should be more selective in trading with the EC. Mr Beck also made the point that the EC has much to offer (technology, etc.) in return for resources, suggesting that a balanced arrangement be sought, eg, regulated

supplies of basic material from Canada and EC assistance to help Canada become a transformer of raw materials.

Another question raised was the extent to which EC capital would be welcomed in Canada, particularly in view of the Foreign Investment Review Act.

Canadian participants stressed the danger of overexploiting Canadian resources and the need for secondary industry, particularly that which is self-sufficient as to technology. It was noted that geography is often the determining factor in processing. The commercial realities of resource transformation and the need for improving terms of trade from other nations were briefly considered.

The EC representative stressed that there is no over-all European view of Canadian products. He was pessimistic, however, about the effects of the uncertainty resulting from the Canadian government's policy on foreign investment.

At the second session, on the environment, Mr Zito spoke of the EC's efforts to establish an 'action plan' for environmental protection. He noted the difficulties the EC was having in developing a common approach. The aim is to try for common action and to develop common norms or criteria for the Community. He stressed that the EC approach places importance on questions of improvement of the quality of the environment. Any approach to environmental protection must also be interdisciplinary.

Dr van Meurs spoke of Canada's environmental problems and the need for communication in this area. He noted that the Canadian potential to export resources – particularly from areas such as the Athabasca tar sands – also creates environmental problems.

Mr Zito spoke of a 'milieu' approach, ie an approach tailored to the needs of each region done by member states. The feasibility of this, and particularly its effect on the competitiveness of industries, was queried by some of the Canadian participants.

The discussion then focused on the 'polluter pays' principle and the use of such instruments as taxes and incentives. Mr Friz said this principle could not be applied in the same way to both existing and new industries, and that a different approach is needed in the case of the farmer. Mr Stahl noted that Canada is already applying such an approach. He also noted that who finally pays depends in large part on the nature of the commodity and on how much is passed on to the consumer. Mr Zito

stressed that the 'polluter pays' principle can be applied in successive stages and also that industry itself can make a contribution to the fight against pollution.

Canadian participants stressed the need to maintain a good climate for international investment. Mr Friz stated that the problem is one of harmonious growth and that Europe must reconcile the need for supplies with the right to use the resources of other countries. Greater co-operation with producer countries is necessary.

The EC representative concluded by saying that Canada is in a complementary position to Europe and that we must both look at the reciprocal advantage of our relationship.

The third session began with the chairman asking Mr Davis to comment on how the EC views Canada. He replied that Canada was like 'a somewhat saddened widow who has nearly closed the door' (as opposed to 'a blushing bride looking for a suitor'). He stressed the differences – primarily geographical and demographic – between Canada and Europe and their complementary positions, Canada having much to offer in the way of raw materials and energy, and Europe in the way of manpower and technology. He said Europe is beginning to realize that Canada is not content to remain a purveyor of raw materials, and that Europe needs to 'think again' about Canada. Mr Friz reiterated the theme of complementarity, Europe having the large market that Canada needs.

Mr Davis commented on the heavy dependence of the EC on oil. The need for new resources has led Europe to turn to Canada, and he suggested that the EC could perhaps help this country to develop its petroleum resources, keeping in mind Canada's self-image of itself. Mr van Meurs noted that the term 'rich in resources' is relative, depending on current world prices. Part of the problem is the tremendous lead time necessary to make resources available. For instance, Canada will be relatively poor in resources for a medium period, until about 1985: the tar sands involve problems of capital investment and environmental protection; the continental shelf involves problems of sovereignty. He stressed, however, Canada's considerable capacity in the field of nuclear energy and the possibility that Canada might be of assistance to Europe in this area.

Mr Davis noted that some means of rapprochement may be

found and observed that Canada has tended to go to the United States rather than to Europe for technology.

The discussion then focused on the problem of resource depletion and on the question of balance of payments in energy transactions. The chairman noted that Canada's exploitation of its resources could lead to serious consequences for exchange rates, prohibiting all exports but those of resources. Mr van Meurs said this could be alleviated by allowing European capital in, ie by balancing the outflow with inflow. He predicted that Canada may lose capital to other parts of the world judged more useful by international companies. Canadian government policy, he said, is one of reasonable rates of return.

The discussion then turned to the current energy situation and the impossibility of any country being self-sufficient.

#### **Round Table IV      Canada, the Community and the World**

Discussion leaders: **Roy Pryce**, director of information, EC Directorate X (Press and Information); **J G H Halstead**, assistant under-secretary of state, Department of External Affairs; **Charles Pentland**, assistant professor of political studies, Queen's University, Kingston. Chairman: **Gordon R S Hawkins**, executive director, Centre for Foreign Policy Studies, Dalhousie University, Halifax.

Speaking as a former academic rather than as an official member of the Commission structure, Mr Pryce observed that to understand the evolution of the European Community it was necessary to start from an historical perspective. Notwithstanding the disillusioned reactions of journalists on the subject of European unity since the grand promises made at the Paris summit, he felt it was important not to confuse current or immediate problems with long-term developments in Europe.

Four basic questions need to be considered in connection with the machinery and operations of the Community: (1) the machinery for political consultation; (2) the development fund; (3) the social policy of the Community; and (4) agricultural policy. These four themes occupy a long-term perspective which is itself strewn with short-term disturbances.

In the short term the Nine are preoccupied by two major problems: adapting the Community to its enlarged state, and the prospect of harmonizing the foreign policies of the various member countries. Having entered the positive stage of integration, the Community will undoubtedly come into conflict with national sovereignties, particularly if there is a strengthening of the desire for increased integration, beyond the limited framework that now exists. Between the abolition of intra-Community tariff barriers and the adoption of a common foreign policy lies a gap which can only lead to a basic rethinking of objectives.

The Community in fact intends to give integration a new dimension, by moving from economic problems to the formulation of a general social policy which would affect education, the environment, social security, and consumer protection. This will obviously be a long-term process which will require European nations to adapt to new rules of the game, to a new style of politics.

It is clear that at the present time the United Kingdom, France, and Germany are incapable of joint decision-making on important matters. It is therefore premature to expect any rapid compromises: new techniques need to be developed. Indeed, this is the first time such significant questions have arisen that offer so many possible political alternatives. What must be done, in fact, is to define what kind of Europe is to be created, what the distribution of resources will be, above all what the values of this new Europe will be. It is only to be expected, therefore, that infinitely more political differences will emerge than heretofore. The European Community is past the stage where matters proceeded under their own momentum: states are now in the position of mountaineers approaching an increasingly difficult ascent.

At opposite extremes lie the two possible models of Community development. On the one hand is outright federation, and on the other total cessation of the integration process, once the individual needs of each country have been satisfied. Neither of these models will be adopted in the next two decades. The path taken by the Community between these extremes will be determined by the political will of its member nations. Two forces are at work in this respect: the internal evolution of states, and outside pressures.

In the last two decades the internal political forces of each

state have played only a minor role, in view of the relatively easy consensus prevailing among governments on European questions. However, it is too early to assume that governments favourable to European integration will always be in power in the future.

With regard to external forces, the United States in the past acted as an external stimulus to unification, and the Soviet Union, on account of the threat it represented, had a similar effect though in a negative way. At present the negative pressures from the East have slackened, as have the positive pressures from the United States. In the future, therefore, it may be expected that external pressures will be more multilateral in nature. In this connection such factors as the energy crisis and scarcity of natural resources might advance the cause of integration but, equally, might slow it down.

In conclusion, Mr Pryce felt that the forces of integration will be sufficiently powerful in spite of negative disturbances to lead to the progressive unification of Europe. However, a real, effective central government is not likely to emerge in the next few years. Business will be transacted essentially at the inter-governmental level, with the Commission perhaps acting as a mediator. Naturally during this period of uncertainty the European Community may prove to be a difficult partner to work with; but as there is no question of its becoming an aggressive bloc, this new entity on the international scene should not cause undue concern.

The principal themes of the ensuing discussion were: the role of public opinion, which has remained passive up to now, but which may change in view of the complex nature of the problems and the choices confronting Europe (what values will youth expect of Europe?); the problem of dealings between the super-powers in the world, and their relation to the slow emergence of European unification; and the role of the multinational corporations: a threat or a stimulus to integration?

Mr Halstead examined the problem of Canada's dealings with the world, and with the Community in particular, in terms of Canadian attitudes. How does Canada see the world?

First, the shift from the cold war to *détente* gives Canada a feeling of security and a greater freedom of manoeuvre. However, the understanding between the United States and Russia is still fragile and, paradoxically, the prospect of further *détente* has



produced new problems within the Atlantic alliance.

Moreover, the shift from a bipolar to a multipolar world implies a lessening of American influence, and a corresponding increase in the influence of the Community and of Japan. These new trends will enable Canada to diversify its foreign policy still further, but will also create major problems as to its exact position within the emerging triangle. However, Canada realizes that these are not monolithic blocs. Indeed, international interdependence is growing and certain problems are of a multinational nature (the environment, the economic growth of the underdeveloped nations, world food problems, multinational corporations, and so on). This new trend calls for global policies. Unfortunately, the establishment of regional blocs does not necessarily encourage the formulation of general, worldwide policies.

Mr Halstead noted that Canada is not an insignificant power in economic terms: 20 per cent of its gross national product was related to international trade; Canada received an annual capital influx of one billion dollars; 70 per cent of its trade was with the United States, and for the United States Canada was comparable as a trading partner to France, Germany, Britain, and Japan combined. This extreme concentration had led Canada to foster a policy of diversification known as the 'third option,' which was characterized by a diversified foreign policy and a complementary domestic policy of consolidating and strengthening its capacities.

How do we see the Community? Even before its expansion the Six was a significant economic power. With the inclusion of Denmark, Eire, and the United Kingdom, the Nine are now a veritable world giant, with 250 million people, two-thirds the gross national product of the United States, and the largest trading bloc in the world. The prospect of monetary unification in 1980 adds a further dimension to this emerging bloc.

Canadians feel they know Europe well, whereas in fact they know very little of the changes taking place there. Even though the European Community seems insignificant politically, the fact is that Canada does underestimate it. In future the Community will be forced to integrate from an external as well as a domestic standpoint. The Community has no defence arrangements and in the years ahead will have to continue relying on the American deterrent and the American forces stationed in Europe.

The United States initiative known as the Year of Europe

reflected an awareness of the emergence of the Community as a political force. The response of Europe should be to define its own identity. Should we anticipate some degree of transatlantic rivalry in the future, or greater stability? That is the question underlying the Year of Europe.

As far as relations between Canada and the Community are concerned, the Canadian government has continually stressed the importance it attaches to western Europe. Indeed, western Europe offers the greatest potential for the Canadian policy of diversification. The enlarged Community represents Canada's second largest trading partner, with a market that consumes \$2.5 billion of our exports, and from which we import \$2.2 billion worth of goods. The Community offers us great trading opportunities, in the areas of semi-finished and manufactured goods, investment, and scientific and technical co-operation.

In the short term the entry of the United Kingdom clearly represents a loss in terms of imperial preferences within the Commonwealth, but this may be offset by tariff reduction within the GATT. The problems are not as overwhelming as they are made out to be. Canada will gain in the long run if it makes an immediate effort to strengthen ties with Europe.

As far as Canada's aims and problems with respect to Europe are concerned, it goes without saying that Canada intends to have expanding and mutually profitable relations with the Community, relations which will be instrumental in maintaining Canada's identity and contribute to the diversification of its policies. We cannot conclude a treaty of association with the Community, or negotiate preferential tariffs, so we must proceed *step by step*, in the classic pattern of bilateral relations. Thus we are attempting to develop dialogues in a systematic fashion and have not dismissed the possibility of eventually creating institutional machinery. We are also attempting to develop agreements for long-range economic co-operation.

As Mr Pryce underlined, the Community may be a difficult partner at times, because of its cumbersome institutional machinery and its internal identity problems. Nevertheless, the Community has made a positive response to our efforts. Canada is recognized in its own right by the Community. We have an ambassador to the Community in Brussels, and we are hoping that the Community will soon open an office in Ottawa. Certain

problems do exist in Canada, however. On the one hand there is the limited knowledge of European problems in general, a relatively slow reaction by the media, and on the other hand the absence of university centres in English Canada for the study of European problems. In this respect the Senate report on relations between Canada and the Community represents a new willingness, confirmed by the visit of Mr Soames to Ottawa. The concept of the Year of Europe would enhance the European dimension of Canada's policy, provided that Canada is not overlooked and its interests are not adversely affected by a Europe-United States axis.

What is needed is a joint Canada-EC statement, which would seem to be a logical sequel to the dialogues that have begun. However, a statement is not an end in itself: the content is far more important than the form. The problem is to recognize Canada's particular situation and identity. The European Community has shown considerable hesitation in the establishment of official machinery for dialogue and consultation with the United States. In its relations with Canada, the Community should have no reservations about considering a different kind of machinery. Clearly, no rivalry exists between Canada and Europe.

The succeeding discussion dealt with three themes. (1) Institutionalizing Canada-EC relations: Canada does not see this as vital; the important thing is an effective arrangement. (2) Priority for Europe: Canada has no list of priorities, but it has obvious interests in Europe and must be involved in the transatlantic dialogue. (3) Level of negotiations: Canada deals with the Community as a whole for trade purposes. For other areas, such as political, scientific, or cultural relations, Canada negotiates at the bilateral or multilateral intergovernmental level.

Mr Pentland's remarks dealt essentially with the Canadian outlook: he outlined the problems raised for Canada by the Community. He noted that although Canadians regard the European Community essentially as an economic entity, it is nevertheless a political animal. Its evolution raises three basic questions: how far will integration go, what institutional developments will occur in the Community, and, finally, what will its position, its approach to the outside world be? As far as the future of integration is concerned, it is obvious that the early vision of a United

States of Europe has become considerably less definite. Not only is it now difficult to decide how unification should be effected, even the inevitability of such unification is now in question. With its elimination of tariff barriers in July 1967 Europe marked the end of the negative integration process. New problems have emerged that require a clear political purpose. It is thus not surprising to find that positive integration is still in its early stages.

As far as Canada is concerned, if integration does succeed it will be an orphan in a polarized world. If integration does not succeed, Canada will be faced with an amorphous Community in a multipolar decision-making framework. In other words, whatever happens there will be significant problems of adjustment. Canada lacks the power to induce the Europeans to do as we wish – to listen to our case. Mr Pentland noted the opinion expressed by Maurice Torrelli (in *International Perspectives*) that the initiative had to be taken by countries outside the Community, since the structure of the latter only permitted it to react to proposals, rather than instigate action itself.

The future evolution of the Community might be expected to entail efforts at democratization and a better distribution of powers between the Council and the Commission. This is basically the area in which a sovereign European power will emerge. Planning and long-term projects will be relatively rare in the next few years. An illustration of this is the failure of the Belgian proposal for a grand council.

It is clearly too early to make pronouncements about the identity of the new Europe. Nevertheless, the existing European structure may be regarded as a basis for a new type of international order, for which Canada must prepare in order to confront the new challenge it will present. Alluding to the concept of a Year of Europe, Mr Pentland noted that in the context he had just outlined it was absolutely essential for Canada to keep economic and military questions separate and to attempt to maintain the distinction between these two areas in future discussions as far as possible.

The ensuing discussion dealt with the following points. (1) Extent of Europe: the boundaries of Europe extend beyond the EC, and Canada cannot become involved in a discussion without taking into consideration its relations with countries on other continents. (2) NATO and the defence of Europe: Europe cannot achieve

a unified defence until it has attained political unity. This can only be done on a pragmatic basis. NATO will not intervene in the process of this stage. (3) Canada and the emergence of a unified Europe: Europe is not yet a reality – it has barely begun to develop. The concept of Europe needs to be defined, and Canada cannot ignore this evolutionary process. Europe cannot act as a counterweight to Canada as such. Canada has to make a choice, and the Community cannot retreat behind its identity crisis, but must remain receptive to new structures of international trade. (4) Europe and the world: Europe is Canada's partner in more than trade, though this is the overriding aspect at the present time. Development will depend on European action at all levels; however, the process must not be regarded too idealistically. (5) Canadian policy: Canada must have a European policy to arouse the interest of Canadian industrialists and the general public in Europe, as our cultural origins give us every reason to do. In concrete terms, Canada must seek European investment (direct and portfolio), diversify its sources of loans on the European capital market, and obtain greater access for its agricultural and manufactured products. (6) Canada-Europe: what is vital is to define the level of priority to give to our relations. There are a multiplicity of subjects to be negotiated: the environment, regional development, capital, labour, monetary questions, NATO, détente, co-operation, and so on. (7) Why co-operate with Europe?: the omnipresence of the United States, the isolation of Canada, and the economic strength of the EC.

In closing the debate, Mr Halstead emphasized the importance of Europe within the context of Canada's 'third option' policy of diversifying its external relations. Opportunities for closer and more mutually profitable co-operation between Canada and the European Community did exist, but they were not being sufficiently used. He pointed out, for example, that the increase in Canada's trade with Europe had been proportionately less than that in its trade with the rest of the world, and less than that in Europe's total trade with the world. Natural market forces are thus not enough, and it is up to the Canadian government to promote exchanges between Canada and Europe. It also appears that Canada's understanding of modern Europe is incomplete and insufficient. Consequently Mr Halstead strongly urged Mr Pryce

to open a European Communities bureau in Ottawa. There had been Canadian proposals to create an agency for consultations and to negotiate a trade agreement, but these were merely skeleton measures that would have to be fleshed out bit by bit. There is no magic formula for developing relations between Canada and Europe; what was needed was to build a bridge across the Atlantic, section by section, by seeking subjects of mutual interest in all fields, and not exclusively on the commercial level, with the member countries of the EC as well as with the Commission.

### **The Honourable Mitchell Sharp**

Secretary of State for External Affairs, Canada

May I begin by congratulating the CIA for its initiative and imagination in sponsoring this conference on Canada and the European Community. The CIA and the government do not always speak with one voice on foreign policy – surprising as that may be considering the perceptiveness of so many of the CIA members. But we certainly agree on the fundamental importance of this subject for Canada now. We are indebted to the CIA for the focus which it is giving to the European Community – and for the timeliness of this conference which coincides so neatly and usefully with the official visits to Ottawa of Sir Christopher Soames and his delegation of European parliamentarians. It is my hope that exchanges of this nature will be seen in a wide context – as a part of that dialogue between Canada and the Community which was called for in the communiqué following the Community summit meeting in October 1972.

For reasons related as much to the evolution of the European Community itself as to immediate Canadian interests, the conference is devoting its attention, in large part, to economic issues – to questions of trade, industry, agriculture, and energy. At the same time, and at the risk of stating the obvious, it is necessary to recall that Canada's relations with Europe have never been exclusively – or even primarily – based on trade. History, common values, for many of us common European origins, and the sentiment deriving from these factors are the source of continuing and potent links with western Europe.

The relationship, then, is strong and firmly rooted. But it is

not static. Sir Christopher Soames and many of you will remember that Canada's approach to the development of the European Community was not always enthusiastic. But as the Community itself developed – as its institutions and its outlook expanded, there has been a corresponding evolution in the Canadian response to the Community. The Canadian attitude has also been shaped by recognition of the world stature of the European Community. The increasing cohesion of the Nine is not simply a matter of new institutional arrangements in Europe. It also represents a growth of real power, self-confidence, and influence which has significantly altered the world balance of power.

The Canadian reaction to these developments was expressed by Prime Minister Trudeau in the message he sent to Prime Minister Heath on the occasion of British accession to the European Community. The message read in part: 'I should like to congratulate you and your European partners on this splendid example of cooperation. Canadians admire the audacity of concept of the new Community and the skilfulness with which it has been designed. We have confidence that the economic strengths which will flow from it will be employed in a fashion of benefit, not just to the partners, but to all members of the international community. A cooperating, prospering Europe has much to offer to the world in friendship, in trade, in economic assistance, and in example.'

If that is our basic philosophical approach to the Community, there is also a very practical foundation to our desire for closer and broader relations. One such foundation is, very simply, statistics. Total trade between Canada and the enlarged Community amounted in 1972 to some \$4.6 billion. Canadian exports to the Community in 1972 were some \$2.5 billion. And I understand that for the first six months in 1973 they show an increase of approximately 14 per cent. This makes the European Community, by a wide margin, the second largest of Canada's trading partners – and we are confident that the volume of trade between Canada and the Community will continue to grow. The figures speak for themselves. To Canada, a country heavily dependent on international trade, mutually beneficial dynamic relations with the European Community are vital.

In another very practical way, an expanding relationship with Europe is an essential feature of one of the government's most

fundamental policies. This is the policy to diversify – to reduce the vulnerability of the Canadian economy to one continental market, to maintain our freedom of action in the international scene, and, equally important, to preserve and nourish our individuality. In this perspective the importance of an alternative and readily accessible major market which combines economic, cultural, historical, and linguistic links is very clear.

At the same time, let me be equally clear in stating that we were not thinking in terms of substituting Europe for the United States as a trading partner. We are North Americans and the United States, of course, remains our most important partner. But the mere acknowledgment of this fact does not lead us to accept the constraints of any so-called continental determinism. We believe we can multiply our exchanges with other countries, particularly in Europe, with a view to promoting the cultural life and economic prosperity of Canadians without loosening in the process our vigorous ties with our southern neighbours.

Canadian interest in the enlargement of the European Community and our parallel goal of expanding relations with the Community have taken a number of forms. At the ministerial level there have been visits by both myself and by ministers of industry, trade and commerce to Brussels and to other capitals of the member states of the Community. We have attempted, and I think with some success, to establish in the minds of the Community and of its individual members, the distinctive character of our position. These ministerial visits are complemented by increasingly frequent and regular contacts with the Commission at the senior official level and by parliamentary exchanges. I am very pleased that Sir Christopher is accompanied by a number of senior officials of the Commission who are holding bilateral official discussions with the Canadian side. These on-going exchanges mark a further development in the dialogue between the Community and Canada. Another important development in the maturing of our relations with the Community has been the appointment to Brussels of a separate ambassador as head of our mission to the European Communities. I hope it will not be long before this is reciprocated by the representation of the Commission in Ottawa.

In terms of trade and economic relations we see a continual expansion of our relations with the European Community. We



are working closely with the Community in international fora – particularly on the General Agreement on Tariffs and Trade – towards an even greater liberalization of world trading conditions. Both my colleague, the Minister of Industry, Trade and Commerce, and I have been encouraged by the constructive attitude which the European Community has been taking in the preparations for the forthcoming multilateral trade negotiations. This positive spirit is a good augury for future Community dealings with the rest of the world.

But there is an aspect of the Community's relations with the world which causes us some concern. This relates to the increasing number of preferential arrangements the Community has, or is negotiating, with a number of countries (in particular former colonies of its member states) which discriminate against third countries including Canada. We continue to believe that these arrangements require further attention. However, I would not wish to exaggerate their importance. There are many other indications that the Community is and intends to become an increasingly responsive and outward-looking participant in world affairs.

Canadian interest in the attitude which the Community will take to its responsibilities to the world community is, of course, natural. Canada, perhaps more than any of the other industrialized nations, is dependent on an increasingly free and open world order, particularly in the economic and trade spheres. It is clear that we have 'a vested interest' in the increasing liberalization of conditions of trade throughout the world. It is highly important to us that bloc confrontations, about which there has been some recent concern, be avoided. The importance of a generally outward-looking world view from the European Community cannot be underestimated. In any confrontation between economic giants such as the enlarged Community, the United States, and Japan, we would all stand to lose – Canada more than most.

Our reasons for seeking to maintain and broaden our dialogue with the Community are clear – and in our terms imperative. Our objective has been to seek with the Community a long-term agreement which would cover the broad range of Canadian/European Community relations and which would complement existing trade arrangements such as those under the aegis of the GATT. Such an agreement, which would provide for regular consultations, might range much more widely to cover fields such as

energy, natural resources, investment, industrial co-operation, and the environment. We appreciate that the establishment of such a long-term arrangement may not be immediately realizable. Nevertheless, we continue to seek to establish a basis upon which such an arrangement can ultimately be made.

Jusqu'à présent j'ai parlé surtout de l'aspect économique de la Communauté européenne. Le reste du monde et la Communauté européenne elle-même sont en fait très préoccupés par le rôle politique de la Communauté; la motivation politique qui est tout autant à l'origine de la genèse du Traité de Rome que le facteur économique. La question est de savoir si l'évolution de la Communauté européenne qui n'a pas une vocation exclusivement économique favorisera ou au contraire gênera les efforts du Canada en vue de réduire sa vulnérabilité vis-à-vis les Etats-Unis.

Nous nous rendons compte des progrès accomplis par la Communauté dans le domaine de l'unification politique. Des étapes significatives ont été franchies à cet égard au cours des quatre dernières années. Les réunions des ministres des neuf et des directeurs généraux des ministères des Affaires étrangères se sont multipliées. La déclaration de la conférence des chefs d'état ou du gouvernement du 19-21 octobre 1972 a signifié à qui veut l'entendre la volonté politique des neuf que l'Europe fasse entendre sa voix dans les affaires mondiales et affirme ses propres conceptions dans les rapports internationaux.

Je vous dirai sans ambages que la réaction du Canada vis-à-vis l'unification politique de la Communauté européenne ne diffère en rien de celle que nous avons eue à l'égard de l'intégration économique. Il revient au neuf de prendre leurs décisions en ces domaines. Le Canada ne peut que voir d'un bon œil une évolution dont le terme recherché est une Europe forte, unie et amie. De même que nous souhaitons voir la Communauté européenne pratiquer des politiques économiques libérales et sensibles aux intérêts des pays tiers, il y va de l'intérêt des Européens et des Canadiens qu'il en soit de même dans le domaine politique. Une concertation politique à neuf qui ne serait pas ouverte aux problèmes et aux aspirations de ses alliés les plus proches serait à la longue stérile et boiteuse.

Il me semble que la solution à tous ces problèmes dépend dans une large mesure de la perception claire que nous aurons de l'interdépendance de nos pays.

The political role of the Community, particularly in relation to North America, has been stimulated by the American initiative of a Year of Europe. It seems to me that this initiative was designed to serve a number of useful and timely purposes – to redefine and revitalize the Atlantic relationship and to reaffirm an outward-looking American foreign policy. It was also, I believe, a means by which one great power acknowledged the coming of age of another great power.

Although there were some mixed reactions in Europe to the initiative, I believe that the Nine were very pleased to have demonstrated to the world and to themselves their capacity to agree on a collective response to the Year of Europe message. Certainly, this was the impression that several foreign ministers of the Nine gave me when I spoke to them in New York in September. There were, of course, some questions about the implications of the Year of Europe. One of the first questions many of us asked – how would the interests of the industrialized democracies, as a whole, fit this concept. Would it involve a tri-polar system – the United States, Europe and Japan? Canada, of course, remains concerned not to find itself polarized around any of the main power centres. That is very much a part of what our policy of diversification is all about. Nevertheless, outside this country, I have sometimes found an assumption that Canada should fall naturally and inevitably into the United States orbit. This is perhaps understandable, but it is unacceptable to Canadians. It is inconsistent with our conception both of what Canada is and what our interdependent world should be. It runs against the grain of postwar Canadian efforts to build an open and liberal world trading system. It is also contrary to the Canadian government's basic policy of a relationship 'distinct from but in harmony with' the United States. North America is not a monolithic whole – economically or politically. Nor do I think it would be in the interest of Europe to deal with a single North American colossus.

Canada's relationship with Europe is not the same as the United States relationship with Europe. There are political, economic, cultural, and linguistic elements in our relationship with Europe which are unique. Perhaps in relative terms our relationship is more important to us than the United States relationship with Europe is to the Americans. Forty-two per cent of our immigrants continue to come from Europe. Our national fabric is

made up of distinctive ethnic groups – many of them European. These have not been assimilated into a Canadian homogeneity. They preserve and value their links with Europe as they do their Canadian nationality. Canada's security is indivisible from that of Europe. That is why we are members of NATO. We do not have troops in Europe solely for the purpose of defending Europe, but to defend Canadians.

However, by focussing on the need to revitalize and redefine the Atlantic community the Year of Europe initiative has quickened the pace of development of Community policy toward the rest of the world. This heightened Atlantic dialogue is leading Canada, the Community, and the United States into a greater and deeper exploration of our shared problems and aspirations. The pursuit of this dialogue reaches beyond the economic sphere to encompass all aspects of international relations. I believe that a serious and comprehensive examination of the Atlantic community, an effort to make the Atlantic relationship more responsive to current realities, can be beneficial to all concerned.

In this context the suggestion of a Canada/European Community declaration is attractive. But the determining factor will be substance – not form. Canada is seeking opportunities to develop a dynamic, meaningful, and distinctive long-term relationship with the European Community. If it is clear that such a declaration can contribute to this objective we will be ready to participate in its elaboration. With or without a declaration the future evolution of the Community's transatlantic relationship will be of critical interest to Canada. I am confident that common interests and common sense will prevail.

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