

Background Note

EUROPEAN COMMUNITY - CANADA RELATIONS

Canada and the European Community conduct their relations both within the multilateral framework of the GATT and OECD and other international bodies as well as at a bilateral level.

The relationship between the Community and Canada has been maintained at a particularly close level by frequent high level visits. European visitors to Canada have included several Commission Presidents: Malfatti in 1971, Ortoli in 1976 and Jenkins in 1978 as well as numerous Commissioners. Many Canadian Ministers, and Prime Minister Trudeau in 1974, have visited Brussels in the past years and months. There have also been annual meetings between delegations from the European Parliament and the Canadian Parliament.

Following the Summit of Community leaders in Paris in October 1972, which called for closer links between the Community and the other industrialized countries, Canada raised the level of its diplomatic representation in Brussels by establishing a separate mission to the European Communities. The Commission reciprocated in 1975 and established a delegation in Ottawa which was only the third of its kind after Washington and Tokyo.

In November 1972, the Canadian Government suggested to the Commission the establishment of regular contacts on economic and other matters. This was well received by the Commission and semi-annual high level consultations have since taken place alternately in Brussels and Ottawa. The delegations are normally led by senior officials. They have provided a regular forum for exchanging ideas, coordinating the position of the two parties in international organizations and explaining respective positions on bilateral problems. The next high level consultations

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will take place in Ottawa on 20 - 21 November 1985. The EC Commission delegation will be headed by Mr. G. Giola, Deputy Director General for External Relations, while the Canadian delegation will be led by Mr. J. S. Stanford, Assistant Deputy Minister for External Affairs.

FRAMEWORK AGREEMENT ON COMMERCIAL AND ECONOMIC COOPERATION

In April 1974 Canada proposed the negotiation of an agreement with the Community to «foster the development of long-term commercial and economic relations». In reply to this the Community proposed the establishment of a link which would constitute a framework within which economic and commercial ties between the parties could be strengthened. In the course of the visit of Prime Minister Trudeau to Brussels in 1974, it was agreed that exploratory talks should take place on this basis. This led to the Council giving negotiating directives in February 1976 and to the rapid conclusion of negotiations in June 1976. The Framework Agreement on Commercial and Economic Cooperation was signed on 6 July 1976, and came into force on 1 October 1976.

The main features of the Framework Agreement are as follows:

- Both parties grant each other most favoured nation treatment.
- They undertake to promote the reciprocal development and diversification of trade at the highest level.
- They agree to foster economic cooperation in all fields deemed suitable.
- A joint cooperation committee is set up to promote and review activities inaugurated under the agreement.

Canada remains the only developed country with which the Community has a cooperation agreement.

Operation of the Framework Agreement

The Joint Cooperation Committee, at its first meeting in Brussels on 10 December 1976, set up two sub-committees which would meet regularly to identify any specific cooperation activities. Particularly noteworthy among these activities was the symposium organized jointly by the two parties and the Province of Quebec on the environmental aspects of the use of asbestos, (in Montreal in May 1982), and the energy bus project (this project involved a visit at the beginning of 1980 by a Canadian «energy bus» to seven EC countries to demonstrate new methods of energy conservation and inspired the construction of similar buses in the Community). The

Joint Committee has itself met on five occasions in Brussels (1976), Ottawa (1978), Brussels (1979), Ottawa (1981) and Brussels (1983).

The agreement is seen by both sides as a framework within which relations between economic operators in the Community and Canada can come closer together. In this context, the essential role of the Joint Committee is to identify suitable areas for cooperation between the industrial enterprises as well as cooperation at the governmental level. The success of the agreement depends on how the economic operators use it.

In November 1984, a conference on the possibility of increased industrial cooperation took place in Toronto. Organized jointly by the Commission and the Government of Canada, with support from the Ontario provincial government, the conference, which constituted a concrete example of the agreement, dealt mainly with small and medium-size enterprises and provided businessmen on both sides with the opportunity to meet and discuss possible areas of enhanced cooperation.

On 3 and 5 December 1985, two EC-Canada business information seminars, sponsored in part by the Commission, will take place in St. John, New Brunswick, and Edmonton, Alberta, respectively. The purpose of these seminars will be to inform Canadian businessmen in the small and medium-size enterprise sector of the opportunities for and prospects of business cooperation with their sector counterparts in the European Community.

SECTORAL AGREEMENTS

Nuclear Cooperation

An agreement on nuclear cooperation, concluded in 1959, provides for research and other cooperation on the development of nuclear power for peaceful purposes. Canada now provides the Community with one third of its natural uranium needs. Following negotiations between the European Commission and Canada, a new agreement between Euratom and Canada on the reprocessing and storage of nuclear material was signed in Brussels on 18 December 1981.

In June 1985, the Community and Canada signed an agreement to extend the Euratom/Canada Nuclear Cooperation Agreement for a period of twenty years. In this agreement improvements and certain additions were introduced, in particular concerning the transfer of nuclear material of Canadian origin, such as uranium, from the EC to third countries.

Fisheries

An agreement allowing Community fishermen to use Canadian waters was signed on 30 December 1981. This agreement regulates fishing rights for the period 1982 - 87. As a counterpart, the Community commits itself to offer tariff concessions within GATT for certain varieties of cod of particular interest to Canada. This agreement was completed by a Protocol in January 1984 which simplifies the management of Community fishermen's operations in Canadian waters and improves the tariff concessions offered to Canada by the EC.

The accession of Spain and Portugal to the European Community on 1 January 1986 will require adjustments in the fisheries sector.

Medical Research

A Memorandum of Understanding on cooperation in the field of medical research was signed in Brussels on 13 December 1984, to launch several joint activities in this area.

ENVIRONMENT

In view of public concern, the Community decided, after examining evidence that certain seal populations were threatened by the annual cull and after long discussions with the suppliers concerned, to ban temporarily from 1 October 1983 the imports of baby seal skins from all destinations while awaiting the results of further studies. Canada is one of the major countries concerned. The Commission proposed to the Council of Ministers that the ban be extended indefinitely, and on 1 October 1985, this proposal was adopted and the ban was extended for four years, expiring on 30 September 1989.

However, should new developments occur, including Canada's Royal Commission Report on Seals, the Commission will re-examine the Directive. In any event, the Directive commits the Commission to submit a report to the Council before 1 October 1987, outlining the situation at that time.

On acid rain, numerous contacts and information exchanges have already taken place in this field at the technical level. Moreover, the two partners have, on many occasions during the last several years, participated in multilateral fora at political level in order to bring international attention to bear on the resolution of this critical problem.

TRADE RELATIONS

Trade between the Community and Canada in non-preferential in nature and is based on the GATT Most Favoured Nation clause.

The trading relationship between the two sides is characterized by a high degree of complementarity. However, in certain areas such as EC imports of newsprint or Canadian imports of shoes, problems have occurred and both sides have made use of their rights under international trade rules.

The main Community exports to Canada are end products (50.8%¹), fabricated materials (29.1%), food, feed, beverages and tobacco (10.1%), and crude materials (7.9%). Community imports from Canada comprise principally fabricated materials (43.2%), crude materials (28.2%), end products (15.6%), and food, feed, beverages and tobacco (12.6%).

¹ Percentage of total value for the year 1984.
Source: Statistics Canada.

	<u>Community Trade with Canada</u> (Million Canadian Dollars) (*)						
	1973	1976	1978	1980	1982	1983	1984 (10 months)
EC Imports	3525	4811	5777	9932	7878	7024	8061
EC Exports	2345	3059	4630	5510	5440	5821	8085
EC Balance	-1180	-1752	-1147	-4422	-2438	-1203	24

Source: EUROSTAT

(*) Data supplied by the Community are usually expressed in ECU. For easy reference, the data are given here in Canadian Dollars. The exchange rate ECU/Dollar varies daily as the various EC currencies which make up the ECU vary against the dollar. One ECU was worth an average of 1.23198 CAN\$ in 1973, 1.10235 CAN\$ in 1976, 1.45336 CAN\$ in 1978, 1.62609 CAN\$ in 1980, 1.20822 CAN\$ in 1982, 1.09671 in 1983, and 1.07468 CAN\$ in 1984.

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