

# European Community

## News Release

### Background Note

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EC - Canada Business Information Seminar in  
Edmonton, Alberta, on 5 December 1985

On behalf of the Commission of the European Communities, I would like to welcome all of you to this Canada-EC Business Information Seminar. I would also like to take this opportunity to thank the Edmonton Economic Development Authority, the Edmonton Chamber of Commerce, the government of Alberta and the Consuls-General of the European Community Member States for all their support and assistance in organizing today's seminar. This cooperative effort truly reflects our purpose today: to inform you, the business community, of the prospects for greater cooperation with your European counterparts. We believe that, in spite of the distance separating Alberta and the EC, opportunities for trade, investment, technology transfers, licensing and joint ventures between Canadian and EC firms are plentiful. While it would be impossible, at a seminar such as this, to inform each of you of specific opportunities for your firm, we hope that, by the end of the day, you will have acquired a fresh, if not a new, perspective on the possibilities for EC-Canada business cooperation.

 **Delegation of the Commission  
of the European Communities**  
Press and Information Service

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In opening this seminar, I think it would be helpful to outline for you why we have organized it and what we hope to achieve by it.

Canadian-European economic relations, not to mention cultural and social ties, go back centuries. Commercial relations continued to flourish in the three decades following the Second World War, culminating with the signing, in 1976, of the EC-Canada Framework Agreement for Commercial and Economic Cooperation. Both sides entered into the Agreement with the sincere intention to "deepen and diversify their commercial and economic relations", establishing a direct link between the European Communities and Canada that would complement and extend cooperation between our Member States and your country.

Almost a decade after this unique Agreement came into force, however, we have experienced a relative weakening in the Community-Canada relationship. This can be measured in declining trends of two-way trade, decreased investment flows, opportunities for economic cooperation foregone and recurring instances of trade friction.

There are several valid and understandable reasons for this development:

- 1) we have both recently emerged from a prolonged economic recession that affected almost all the western industrialized countries, a situation not conducive to increased exchanges and business cooperation;
- 2) fluctuating exchange rates, combined with the more recent growth in strength of the Canadian dollar vis-a-vis European currencies, have created business uncertainties on both sides and caused Canadian exports to the EC to decline;

- 3) new competitors emerging among the newly industrializing countries have appeared on the world scene to siphon off some of our previous links with one another;
- 4) various actions taken by governments to cope with the domestic difficulties caused by the recession (such as the need for industrial re-structuring and for preserving, if not creating, jobs) have played a role in shifting our respective priorities.

The net result of all these factors has been a weakening of the economic ties between Canada and the Community.

At the same time, and I am not sure whether this is coincidental, Canada has turned its attention increasingly to the West (Japan and the other countries of the western Pacific Rim) and above all, to the south - the United States.

We are watching with great interest as Canada prepares to enter into negotiations with the United States on a possible free trade arrangement. For Europe and the EC, this interest has two facets:

- 1) recognition that the step Canada is now considering was irrevocably taken by our EC Member States almost 30 years ago, with the formation of the original European Community of 6;
- 2) concern whether such a future Canada-US free trade arrangement would further erode the commercial ties between Canada and the EC.

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We do not believe that such an outcome is unavoidable. But, we certainly must make an effort to ameliorate the conditions underlying our weakened trans-Atlantic links and to strengthen the potential for economic cooperation. We, in the European Community, continue to believe in the basic strength of the European economy and the vitality of our historic ties to Canada - and that those ties can be expanded and improved upon.

The purpose of today's seminar is intended, precisely, to serve as an expression of our belief in the future of EC-Canada economic cooperation:

- by raising the level of awareness in the business community of the potential for cooperation;
- by providing useful information on the means by which this potential can be realized;
- by demonstrating, through examples provided by several of our speakers, that success awaits those with the interest and perseverance to pursue it.

I should also mention that the focus of our efforts is directed at the small and medium-sized business sector. The larger companies, and of course, multi-national corporations, are well-equipped to pursue overseas business opportunities without the encouragement of seminars such as this. Even for the so-called SME's, however, our seminar is only a first step. The homework, the negotiating and signing of contracts, the follow-up efforts, are up to you - the private sector. But, we hope that the seminar will provide you with a beginning and with some of the tools you will require to make the most of the opportunities available.

In order to begin this process, it is important to know what the EC is.

Ten countries currently comprise the European Community. In less than a month, on 1 January 1986, Spain and Portugal will also become members, making us a Community of 12, and doubling the number of Member States with which the EC originally began in 1958.

These 12 countries, while not comprising all of Europe, nevertheless have a total population (320 million) of more than 10 times that of Canada, compressed into an area less than one-fifth that of Canada. Another interesting feature, comparing Canada and the EC, is that while Europe has a much milder climate than Canada, the industrial heartland of the Community falls roughly within the same latitudes that separate Edmonton and Toronto.

These 12 countries together comprise the European Community, sometimes referred to as the Common Market.

The European Community is a supra-national entity whose laws, in many instances, supercede those of the Member States. Actions are taken at Community level to ensure the free movement of goods, services and labour across national boundaries, and to provide a common external trade regime for all partners trading with the EC.

Thus, the EC has a common external tariff for goods entering any one of the Member States. Once inside the EC, goods can move relatively freely, with some exceptions related to safety, health or other types of standards.

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Another consequence of the gradual broadening in scope of the areas covered by the Treaties establishing the Community (Originally there were 3 Communities: one for coal and steel begun in 1952, one for atomic energy and one for economic matters - the EEC - both of which began in 1958. All 3 Communities were merged, for administrative purposes, in 1968.) is that the laws of the Member States governing such policies as competition, environmental and consumer protection and transportation are gradually becoming harmonized - with the consequence that businessmen benefit from an increasingly uniform and consistent commercial environment.

Having briefly explored what the EC is, I would like to compare some of its basic features with those of Canada.

How do Canada and the EC compare in terms of the wealth they each generate and the ways this wealth is generated?

The combined GDP of all 12 Member States was \$3.2 trillion (Canadian) in 1984, about 8 times that of Canada.

How is this wealth generated?

Ironically, the figures suggest that an old myth - that Canada is a "hewer of wood and a drawer of water" - should be put to rest. In terms of gross value added, Canada and the EC are almost identical in the way wealth is created:

- the primary sectors of agriculture, forestry and fishing contribute 5.2 cents to every dollar earned in Canada, and 3.5 cents to every dollar earned in the EC;

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- the secondary sectors of industry and construction (including mining) contribute 44.8 cents in Canada and 39.0 cents in the EC, for every dollar earned;
- the tertiary sector of services, including government, contribute the greatest share in both cases: 50.0 cents in Canada and 57.5 cents in the EC, of every dollar of gross value added.  
(Note : All figures are for 1981).

So, while this comparison may not be strictly accurate or appropriate, it seems clear that the economies of the EC and Canada, taking into account their difference in size, are more similar than many believe.

Other measures can also be used to compare the economies of the two partners, an important feature of which relates to trade. Trade is vital to both the EC and Canada. In fact, if both trade among our Member States and trade with the rest of the world is combined, the EC accounts for almost 40 % of total world trade. Even if only extra-EC trade is considered, the EC still accounts for 20 % of world trade. Indeed, one of the cornerstones of the European Community is its commitment to liberalizing trade, not just within its boundaries but internationally. That is why we, together with the other Contracting Parties to the GATT (General Agreement on Tariffs and Trade), look forward to a start early in 1986 of a new round of Multilateral Trade Negotiations to accomplish this objective.

But, what is the nature of the EC-Canada relationship?  
How important are we to each other in economic terms?

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The EC-Canada trading relationship is one indicator. During the first 8 months of 1985, the total value of two-way trade stood at about \$10.7 billion, with the EC enjoying a surplus of \$1.9 billion. The EC is Canada's second largest trading partner, after the US and ahead of Japan - both as a destination for Canadian exports and as a source of imports into Canada.

We are also important investors in each other's economies: by the early 1980's (the latest date for which figures are available), there was almost \$4 billion directly invested by Canadians in the EC (over 40 % of total direct investment by Canadians abroad, after excluding investment in the US). In the other direction, the EC had direct investments totalling almost \$8 billion in Canada, by the early 1980's.

In fact, both the EC and Canada recognized our importance to each other in a formal way with the signing, in 1976, of the EC-Canada Framework Agreement for Commercial and Economic Cooperation. The Agreement recognized the respective but common interests in expanding and improving the business links between our two sides.

Over the past 8 years, many initiatives have been taken to encourage economic cooperation between the Canadian and EC business communities. Through such mechanisms as technical seminars, joint participation in international conferences and the organization of overseas visits by selected groups of businessmen, opportunities for cooperation have been pursued in a number of sectors, including energy conservation, urban transport, forestry products, processing of mineral ores, information technology and areospace.

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The goal of all these initiatives - industrial cooperation - means more than merely stimulating trade in one direction or the other. By «cooperation», we include joint ventures, technology transfers, licensing arrangements, joint operations to manufacture and/or market products in third countries, and mutually beneficial direct investments.

Similar initiatives have been taken by our Member States and their respective Chambers of Commerce and Industry, as well as by the provincial governments in Canada.

Clearly, it is difficult to measure the value of such cooperation, as it is also to express in quantifiable terms the potential for such business linkages. Equally clearly, however, it is for businessmen, acting in their own best interests from a solid foundation of information, to seize the opportunities available.

The Speakers at our seminar today will be providing you with their perspectives on the prospects for industrial cooperation, bringing to bear their experience and sharing with you the information you require to take advantage of the potential I have spoken about.

For additional information, please contact Finn Olesen, Head, Press and Information Service, at (613) 238-6464.