COMMISSION OF THE EUROPEAN COMMUNITIES

SEC(74) 3372 final

Brussels, 12 September 1974

COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

EEC / Canada Relations : Possible Trade Agreement.

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1. The Canadian Government, in their Aide-Mémoire of 20 April 1974 addressed to the Council of the European Communities and to the Commission, proposed that "negotiations be initiated with the appropriate Community institution with a view to concluding a Trade Agreement between Canada and the European Community".

2. As the Council are aware, the Commission established informal exploratory contacts with the Canadian authorities over the period April-June 1974 concerning this proposal. The present Note amplifies the oral report on these contacts made to the Permanent Representatives Committee on 27 June and sets out the initial reactions of the Commission to the Canadian proposal. The Commission wishes to do this without further delay, since the Canadian Government, in an approach to the French Chairmanship during the month of August, has requested an early discussion of these matters.

3. The Aide-Mémoire states that Canada envisages an Agreement which would :

(a) establish a "direct contractual link between Canada and the Community";

(b) "complement rather than supersede existing trade and commercial arrangements between Canada and Member States";

(c) "underpin the contractual relationship with the Community which is currently based on the General Agreement on Tariffs and Trade";

(d) "foster the development of long-term commercial and economic relations". (In this respect the Agreement is not to be seen as "an attempt to define once and for all the economic relationship between Canada and the Community"; there is apparently to be room for growth);

(e) make formal provision for consultations between the two parties.

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4. As to the precise trade content of the Agreement (under (b) and (c) above), the Canadians have as yet made no formal proposals. In the informal exploratory contacts, however, Canadian officials have suggested that detailed clauses might be included in the Agreement to cover :

- the exchange of Most Favoured Nation treatment, subject to certain derogations
- Quantitative restrictions and exceptions
- Direct shipment
- Internal taxes
- Valuations
- Administration of trade regulations

Such clauses would be based on the relevant provisions of the GATT and of existing bilateral Trade Agreements.

5. The Commission for its part desires the development of close and active relations with Canada and is ready to work for the conclusion of any form of Agreement which may prove appropriate to this end. The Commission has given particular attention, over the last 18 months, to the development with Canada of the "constructive dialogue" called for in the final communiqué of the Paris Summit of October 1972. To this end, the Commission has inaugurated with the Canadian authorities a series of informal consultations twice yearly, alternately in Ottawa and Brussels, similar in nature to the regular exchanges which it conducts with the American authorities. Exchanges of visit by Canadian Ministers and by Members of the Commission are frequent. It is now also intended to open a Delegation of the Commission in Ottawa in 1975 and the Canadian Government has warmly welcomed this initiative. It is in the same spirit of "constructive dialogue" that the Commission approaches the proposal in the Aide-Mémoire of 20 April 1974.

6. At the same time, it is, in the Commission's view, appropriate for the Community to move towards an Agreement only with great care and deliberation. More particularly, both the form and the substance of the Canadian ideas mentioned in paragraphs 3 and 4 above invite the following comments.

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7. Apart from the various agreements and arrangements concluded with Canada in the framework of GATT, there exists the 1959 Agreement between Canada and Euratom for cooperation in the peaceful uses of atomic energy. To proceed to the conclusion of a general Trade Agreement in a strictly bilateral framework with a country of the character of Canada would, however, constitue a major innovation on the Community's part. The Community's previous non-preferential trade agreements (of which a list is in the Annex) have been concluded with countries of a quite different economic structure and which occupy a different place in the world trade policy context. These agreements have therefore tended to concentrate upon specific problems relating to a certain range of products, for the most part primary products. Relations between the advanced industrial countries in the free world economy, on the other hand, are clearly much more complex. They have an important multilateral as well as bilateral content; and they cover a very wide range of products and services, no single one of which dominates the pattern of trade. To reflect this distinction, an Agreement with Canada would need to be of a new and different order.

8. As Canadian thinking stands at present - and it is fair to state that this is only preliminary thinking and that the Canadians have said they are open to other suggestions - a Trade Agreement on the lines of paragraph 4 above with the Community would apparently do little more than re-express obligations which already exist in other contexts; and place on a formal footing consultations which are already now an established custom. The Agreement would be silent on a wide range of economic issues which are of increasing concern to both parties, such as guarantees of access to supplies of raw materials and energy, the encouragement of mutual investment and the promotion of industrial and technological cooperation. It would be a conservative rather than a modern instrument, possessed of a certain symbolic value and some capacity for later expansion, but essentially devoid of present substance.

9. Canadian emphasis on the GATT, including the probable restatement of various existing GATT provisions in GATT language, also presents certain difficulties. On substance, it is vital to maintain, both now and for the future, the multilateral trade disciplines already established in the GATT. Since it is in the multilateral and not in the bilateral context that GATT issues must be settled, it would be

undesirable for the Community to enter bilateral Agreements which could appear to constitue either a tribunal of appeal from the GATT or a measure of insurance against the failure of the GATT. Yet if GATT provisions were duplicated in a bilateral framework, a precedent would be set which would inevitably tend to weaken the multilateral framework. Finally, allowance must be made for the evolution of the living GATT, and in particular for whatever internationally agreed developments may emerge from the current Multilateral Trade Negotiations. On timing, it would therefore be difficult to enter substantive negotiations with Canada on a GATT-type agreement until after the MTN had been concluded.

10. The Community is therefore faced with three options :

(a) to enter negotiations with Canada for a GATT-type Trade Agreement, as suggested by Canada during the exploratory contacts;

(b) to explore with Canada a new type Agreement providing a broad Community framework for economic and commercial cooperation between Canada and the Member States extending well beyond the field of classical trade policy (tariffs, quotas, liberalisation, etc...);

(c) to defer further consideration of the Canadian initiative until a rather later stage in the Multilateral Trade Negotiations and/or until further development of the Community may have opened up new possibilites for an economic and commercial cooperation agreement.

11. For the reasons stated above, the Commission sees general policy difficulties at (a) which would not be outweighed by tangible advantages. If the Community should wish to consider (b), it would be necessary for the Council to take a more dynamic view of Community competence than has been adopted hitherto. This would permit a wider coverage, more in keeping with an evolutionary view of the Community's future activities. Under options both (a) and (b), it would be necessary to give careful thought to form as well as content, because such an agreement would of course set a precedent for the Community's relations with other advanced countries.

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12. Acknowledging and sharing Canada's positive motives in seeking to establish a meaningful contractual relationship with the Community, the Commission for its part would prefer an Agreement of the type suggested at (b) above. In order to be able to continue discussions with the Canadian Government in the near future, in conformity with the wishes expressed in the latter's recent approach to the Chairmanship, the Commission would appreciate an early discussion of the above options in the Council.

ANNEX

Bilateral Non-Preferential Trage Agreements with the EC in force September 1974

	Country	Date signed
EC -	Ygoslavia	31. 7.1973
EC -	Brazil	19.12.1973
EC -	Uruguay	8. 3.1973
EC -	Argentina	16.11.1971
EC -	India	17.12.1973