

European Communities

1412 (192)

EUROPEAN PARLIAMENT

Working Documents

1976 - 1977

13 September 1976

DOCUMENT 287/76

Report

drawn up on behalf of the Committee on External Economic Relations

on the ~~present~~ state of economic and commercial relations between the Community and Canada and on the Framework Agreement for commercial and economic cooperation between Canada and the European Communities signed in Ottawa on 6 July 1976 (doc. 213/76)

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PE 44.310/fin.

English Edition

188:111-90111

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By letter of 19 December 1975 the Committee on External Economic Relations requested authorization to draw up a report on the commercial and economic relations between the Community and Canada.

During the sitting of 17 June 1976 the President of the European Parliament referred a motion for a resolution tabled by Sir Peter Kirk on behalf of the European Conservative Group on relations with Canada (Doc. 178/76) to the Committee on External Economic Relations as the committee responsible and to the Political Affairs Committee for its opinion.

By letter of 28 June 1976 the President of the Council of the European Communities requested the European Parliament, pursuant to Article 235 of the EEC Treaty, to deliver an opinion on the Communication from the Commission of the European Communities to the Council on the signature and conclusion of a Framework Agreement for commercial and economic cooperation between Canada and the European Communities (Doc. 213/76).

The Political Affairs Committee, the Committee on Economic and Monetary Affairs and the Committee on Energy and Research were asked for their opinions.

On 20 January 1976 the Committee on External Economic Relations appointed Mr Borsani rapporteur.

The committee considered the draft report at its meetings of 22 June and 3 September 1976 and unanimously adopted the motion for a resolution at its meeting of 3 September 1976.

Present: Mr Kaspereit (chairman), Mr Scott-Hopkins (vice-chairman), Mr Antonozzi (vice-chairman), Mr Borsani (rapporteur), Mr Bormani, Mr Brégégère, Mr Didier, Mr van der Gun (deputizing for Mr de Koning), Mr Klepsch, Mr Noé (deputizing for Mr Dunne), Mr Nyborg, Mr Sandri, Mr Spicer and Mr Vandewiele.

The opinions of the Political Affairs Committee, the Committee on Economic and Monetary Affairs and the Committee on Energy and Research are attached.

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A

The Committee on External Economic Relations hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the present state of economic and commercial relations between the Community and Canada and on the Framework Agreement for commercial and economic cooperation between Canada and the European Communities

The European Parliament,

- aware of the political, economic, historical and cultural ties between Canada and the countries of the European Communities,
 - having regard to the communication from the Commission of the European Communities to the Council¹,
 - having been consulted by the Council pursuant to Article 235 of the EEC Treaty (Doc. 213/76),
 - having regard to the Framework Agreement signed on 6 July 1976 between Canada and the European Communities,
 - believing that there is great scope for economic cooperation, reciprocal investment and exchange of terminology as also for expansion of trade between the two partners,
 - having regard to the report of the Committee on External Economic Relations and the opinions of the Political Affairs Committee, the Committee on Economic and Monetary Affairs and the Committee on Energy and Research (Doc. 287/76),
1. Recalls that Canada's position as the Communities' second most important trading partner, her high level of industrialisation and her wealth in raw materials, together with her need for know-how and investment, all make her a natural economic partner for the Communities;
 2. Considers that this suitability is reinforced by the cultural and historical links which exists between Europe and Canada;
 3. Welcomes, therefore, the signing of the Framework Agreement for commercial and economic cooperation between Canada and the European Communities;

¹ OJ No. C 161, 14.7.1976, p.2

4. Stresses that this is the first bilateral non-preferential agreement to be concluded between the Communities and an industrialised country;
5. Stresses that Article III(4) provides that the Agreement shall in no way affect the powers of the Member States of the Communities to engage in bilateral activities with Canada in the field of economic cooperation or to conclude new economic agreements with Canada, and urges that this article should not be interpreted in such a way as to restrict the activities of the Communities;
6. Regrets that it has not proved possible to overcome the difficulties encountered with respect to the principle of equal access to natural resources;
7. Hopes that existing cooperation between Canada and certain Member States in the field of heavy water reactors will be intensified;
8. Hopes that the Canadian Foreign Investment Review Act will not be an obstacle to investments by the Communities;
9. Calls for the swift and continuing implementation of the agreement, particularly by such practical means as the exchange of contacts which has recently taken place between the forestry, non-ferrous metal and natural uranium industries of both parties;
10. Would welcome, in view of the success of existing contacts between the Canadian and European Parliaments, and of the importance of the present Agreement, the setting up of joint institutions between the two parliaments;
11. Suggests that sub-committees begin as soon as possible to tackle the problems of energy and research policy;
12. Instructs its President to forward this resolution and the accompanying report to the Council and Commission of the European Communities and to the Government and Parliament of Canada.

EXPLANATORY STATEMENTI. ECONOMIC DATA

Canada has a total area of 10 million sq. km. (Community: 1.5 million sq.km.) and the population in 1972 was 21 million (Community: 250 million). In 1970 the gross national product was 77 thousand million dollars (the Community, including the United Kingdom, Denmark and Ireland: 626 thousand million), of which 12% came from agriculture. Canada has the sixth highest per capita income in the world.

A. Trade1. General situation

Canada has long had a comfortable surplus on its balance of trade, the last deficit occurring in 1960. Canadian trade showed particularly good results from 1970 to 1973 with surpluses of about 2 thousand million Canadian dollars¹,

Since 1974, however, Canada's position has gradually weakened: as the world economic recession became more serious, demand for Canadian raw materials and semi-manufactured articles fell, while the cost of imported finished goods continued to increase. In 1974 the surplus on the balance of trade fell to 500 million Canadian dollars and, in 1975, for the first time in many years, there was a deficit. This deficit amounted to about 2 thousand million Canadian dollars over the whole year.

Because of inflation, imports in 1974-75 increased much less in volume than the increase in expenditure would suggest. In the same period, exports even fell.

Thanks to its traditionally healthy balance of trade, Canada has always been able to keep its balance of payments more or less in equilibrium, as services and transfers regularly show a deficit. Since there has been no improvement in the latter sectors, it will be clear that the deterioration in the balance of trade in 1975 has had an extremely negative influence on the balance of payments.

2. Trade relations with the Community

The Community is Canada's second most important trade partner after the United States. Japan follows in third place. However, the difference in the volume of trade with the United States is very large: in 1974 12.4% of Canadian exports went to the Community and 66.1% to the

¹ See ANNEX I

United States. In the same year, imports from the Community made up 9.5% of Canada's total imports, while 67.4% came from the United States¹. Canadian exports to the Community have certainly increased in the last 20 years, but not to the same extent as exports to the Community from the United States and Japan.

From 1958 up to and including 1972 exports to the Six grew:

- from Canada: by 153%
- from the United States: by 204%
- from Japan: by 1,500%.

Furthermore, the relative importance of the Community as an outlet for Canadian export goods has decreased over the last decade: in 1965 21% of Canadian exports went to the Community², in 1974 the percentage - as stated above - was only 12.4%. Imports from the Community also showed a relative decline during this period: in 1965 they represented 13.5% against 9.5% in 1974.

Canada's balance of trade with the Community is traditionally in surplus; in 1974 it amounted to 1 thousand million Canadian dollars³. Although since 1970 this surplus has gradually fallen a little in real value, the general deterioration in Canada's balance of trade after 1974 must chiefly be ascribed to the growing deficit with the United States: in the first nine months of 1975, imports from the United States increased, by comparison with the same period in 1974, by 2 thousand million Canadian dollars, while exports to the United States in this period fell by 0.6 thousand million Canadian dollars.

In 1974 Canadian exports to the Community increased by 0.85 thousand million Canadian dollars (= 27.4%) and imports by 0.56 thousand million Canadian dollars (= 22.9%) by comparison with 1973. Following this, in the first six months of 1975, exports rose less sharply (9.9%) than imports (18.3%) compared with the same period in 1974⁴, so that the surplus with the Community is also beginning to dwindle.

Furthermore it should be noted that 3% of total imports into the Community are from Canada.

By far the most important of Canada's trade partners in the Community is the United Kingdom, which in 1974 accounted for 47.3% of Canadian exports to and 37.0% of imports from the Community. Then

¹ See Annex II

² Including the United Kingdom, Denmark and Ireland

³ See Annex I

⁴ See Annexes III and IV

follows Germany (13.3% and 25.1% respectively). It is striking that the amount of trade between two heavily industrialized countries such as Canada and Germany (about 1% of the total trade of both countries) is so small¹.

The balance of trade with the United Kingdom, the Netherlands, Belgium/Luxembourg and Italy is always in the black, while there are usually deficits with Germany, France, Denmark and Ireland (though not with Ireland in 1974)².

Canada's main exports to the Community are cereals, wood products and metals (in particular, zinc, iron and nickel); only 10% consists of industrial products. By way of comparison, about 50% of exports to the United States consist of industrial products.

Approximately 8.5% of exports to the United Kingdom consist of finished products. From this it can be deduced that the largest share of Canadian exports to the Community, i.e. approx. 43%, are agricultural products and raw materials for the United Kingdom.

Exports from the Community to Canada consist almost entirely of industrial products, a large proportion being furnished by the car industry.

B. Investment

1. Volume

After the United States, the Community is the most important source of investment in Canada. But, as with trade, a considerable disparity is to be found here, too, between the volume of investment from the United States and that from the Community: direct investment from the Community represents 15.6% of total investment in Canada while the United States' share amounts to 79.4%.

At the end of 1973, total foreign investment in Canada amounted to 32,800 million Canadian dollars.

With regard to Canadian investment abroad, the Community again occupies second place, although the disparity with the United States is not so large: 14.3% of Canada's direct investment is placed in the Community against 51.8% in the United States. At the end of 1971 total Canadian investment abroad amounted to 6,500 million Canadian dollars³.

¹ See Annex VI
² See Annex V
³ See Annex VII

2. Legislation

Canadian anxiety about foreign, particularly American, domination of certain sectors of the economy resulted in the Foreign Investment Review Act which was passed in November 1973. This law gives the government the power to restrict certain forms of foreign investment. A Review Board was set up with the task of determining whether proposed foreign investment would be of 'benefit to Canada'. This principle is described in the Act but not defined in any detail.

The Act, which is being implemented in stages, has been declared applicable to three types of foreign investment:

- takeovers of existing Canadian firms;
- expansion of activity by foreign companies already established in Canada into areas not connected with their original business;
- new foreign businesses in Canada.

The Act seems mainly directed against the growing economic influence in Canada of the United States. It is to be hoped, however, that it will not restrict the growing industrial cooperation between Canada and the Community. Here it should be noted that in the period from April 1973 to October 1974 the Review Board investigated 41 applications from the Community concerning takeovers of Canadian companies: of these, 30 applications were approved and 3 rejected, while 8 applications were withdrawn. The corresponding figures in respect of 129 applications from the United States were: 95 - 19 - 15.

II. TOWARDS A 'DIRECT CONTRACTUAL LINK'

In an 'aide-mémoire' addressed to the Community on 20 April 1974, the Canadian Government intimated that it wished to establish closer links with the Community. It was suggested that a 'direct contractual link' should be created between the Community and Canada.

A. Motivating factors

1. Canada

Before the Second World War, Canadian foreign policy in Europe was concerned mainly with the United Kingdom and to a lesser extent with France. After the war, relations with Europe were broadened within the 'Atlantic Alliance', the concept which was to become the key-stone of the West's post-war foreign policy. Within this framework, Canada had no trouble in reconciling its relations with the United States and those with the United Kingdom. Canada's interest in European integration had never been particularly great, neither of its most important allies

being directly involved anyway.

However, at the end of the sixties Canadian foreign policy took a new turn: Canada was clearly showing greater interest in the way the European Community was developing. This change of direction can be ascribed to three main factors:

- the European Community's increasing impact on the world scene, which obliged Canada to develop a special policy towards it;
- growing American involvement in the Canadian economy, which gave rise to some apprehension in Canada about a gradual loss of national identity;
- the United Kingdom's application for membership, which meant that the most important outlet for Canadian products in Europe would be incorporated in the Community.

So when Mr Trudeau became Prime Minister of Canada in 1968, a review of foreign policy was announced. The 1970 White Paper tersely explained the need to establish closer links with Europe:

'Canadian interests in Europe are considerable: with the exception of North America, this is the only area in which all the major lines of Canadian foreign policy come together.'

Of the three options open to her in her foreign policy, namely:

- to maintain the status quo,
- to continue to merge with the United States,
- to diversify her foreign relations,

Canada evidently chose the third; and the European Community was the obvious initial target for Canada's new foreign policy.

After all, the Community, as a world economic market, could offer Canada a great deal, for example:

- advanced technological knowledge,
- capital and investment,
- an outlet for Canadian industrial products, semi-manufactured goods and raw materials.

Furthermore there were strong cultural and historical links between Canada and Europe: in 1960, 96% of the Canadian population were of European descent.

As to the consequences of British accession to the Community, it should not be forgotten that the United Kingdom, with Denmark and Ireland, will, once the transitional period has ended in 1977, have to apply the same external tariff as the original six Member States.

This means that certain Canadian exports to the United Kingdom, particularly in the agricultural sector, will be confronted for the first time with an EEC tariff.

During consultations between both parties on the basis of Article XXIV of GATT¹, the Community has proposed a number of compensatory measures designed to mitigate to some extent the consequences for Canada of British accession.

Intensification of relations with the Community must therefore not only be seen as a political ambition but also as an economic necessity.

2. The Community

The economies of Canada and of the Community are in a certain sense complementary. While the Community boasts advanced technology and an enormous potential in purchasing power, the Community's interest in Canada lies primarily in the area of raw materials and energy products, the very goods of which there is a shortage in Europe. In the world league, Canada comes first as a producer of nickel (40%), silver (17%), zinc (23%) and asbestos (34%), second as a producer of uranium (20%) and coniferous wood (10%), third as a producer of natural gas (7%) and ninth as a producer of crude oil (3%).

However, trade between the Community and Canada is extremely modest considering the level of industrial development of the two partners². It is, for instance, remarkable that a highly industrialized country like the Federal Republic of Germany should account for only 1 to 2% of Canada's trade. It is not, therefore surprising that the Community should wish to build up economic relations with Canada.

Finally, mention should also be made of the fact that Canada, as an industrially developed nation - with an established democracy and a free market economy - finds itself in similar political and economic circumstances to those of the Member States of the Community, and that her interests in the world therefore run parallel to our own. Added to this, the strong cultural and historical links which have long existed between the peoples of the Community and the Canadian people constitute the best possible guarantee of lasting cooperation between the two parties.

¹ See Annex VIII

² See also Annex II

B. Background to the negotiations

1. Course of preliminary contacts

In the final communiqué (para. 12) of the Summit Conference held in Paris on 19 and 20 October 1972, the Community undertook to conduct a 'constructive dialogue' with the industrialized nations, among which Canada was specifically mentioned as well as the United States and Japan.

Shortly afterwards, on 7 November 1972, the Canadian Government sent an 'aide-mémoire' to the Commission with the suggestion that the possibilities for a general agreement on economic and trade affairs be investigated. At that time **arrangements** were made for informal consultation between representatives of the Commission and the Canadian authorities: meetings would take place twice a year, in Ottawa and Brussels alternately. Under this arrangement, Canadian ministers and members of the Commission met regularly. Mention should also be made here of the fact that in that same year Canada appointed a special Ambassador to the Community.

In an aide-mémoire of 20 April 1974, the Canadian Government requested the Community to open negotiations with a view to concluding an agreement which would establish a 'direct contractual link' between Canada and the Community. Informally, the Canadians let it be known that they were thinking here of a trade agreement. Between April and June 1974, the Commission proceeded, through informal contacts with the Canadian authorities, to investigate how this proposal might be put into practice.

On 27 June 1974, the Commission made an oral report to the Permanent Representatives Committee and summarized its findings in writing in a communication to the Council dated 15 September 1974. This made it clear that the Commission saw no point in a plain trade agreement with Canada. The obligations stemming from an agreement of this type were in any case already laid down in GATT. The Commission therefore expressed its preference for an agreement which would create a broad framework for economic and commercial cooperation between Canada and the Member States.

The Council discussed this question at its meeting of 14/15 October 1974 and further took the line that relations with Canada should be consolidated in a manner duly to be agreed upon by both parties. The Council emphasized the importance which the Community attached to the traditional links between Canada and the Member States.

During Prime Minister Trudeau's visit to the Commission in October 1974, an agreement was reached with Canada to proceed, through informal discussions, to prepare the way for future negotiations.

When these informal discussions were completed, the Commission decided that the moment had come for the Community to finalize its views as to the type of agreement which ought to be the subject of negotiations with Canada. On 21 May 1975, the Commission sent a second communication to the Council containing a formal recommendation that negotiations should be opened with a view to concluding an outline economic and trade cooperation agreement with Canada.

On 24 June 1975, the Council stated that in principle it was in favour of the approach proposed by the Commission in its communication, and instructed the Permanent Representatives Committee to prepare a negotiating brief. The brief was approved by the Council on 9 February 1976 and, on 11 March, negotiations were officially opened.

2. Special problems

In the course of the preliminary contacts, a difference of opinion emerged within the Community on two points which caused the determination of the negotiating brief to be considerably delayed. These differences, which have in the meantime been resolved (at least internally), centred on the following subjects:

(a) The 'joint' procedure

Franco and the United Kingdom initially took the view, in contrast to the seven other Member States, that the agreement would have to be ratified not only by the Community itself but also by the individual Member states (i.e. the 'joint' procedure). Both states withdrew this demand when it became clear that the agreement would have a complementary character: in other words, individual Member States' capacity to conclude cooperation agreements would not be affected.

Canada was opposed to the joint procedure from the outset, being anxious to avoid any confusion arising between the Community agreement and the bilateral agreements that already existed between itself and the Member States.

(b) Non-discriminatory access to natural resources

The second controversial issue was whether the Member States should be allowed access to Canada's natural resources under the same conditions as Canada itself. Essentially there was never any difference of opinion between the Member States: it was

unanimously agreed that the answer must be in the affirmative. A Council resolution of 3 and 4 May 1975 also expressed support for a non-discriminatory policy in this field. However, Denmark wanted the principle of non-discriminatory access to be expressly stipulated in the agreement, while the Commission and the eight other Member States wished to limit themselves to a declaration of intent that the parties would do their utmost to secure for one another non-discriminatory access to natural resources.

The application of this principle is for the Community, as a net importer of energy products, of particularly great importance since Canada possesses considerable quantities of uranium (the second largest producer in the world) and oil (the ninth largest producer in the world).

Denmark dropped its demand when Canada gave an undertaking in the International Energy Agency to align its position gradually with that of the other participating countries as defined in Chapter V of the Long-term Programme¹. Canada is not bound by Chapter V of the programme; this is partly due to the constitutional relationship between the central government and the provinces, which seem to enjoy a measure of independence in this matter.

At present, Canada operates a system of two separate prices ('double prix') according to whether the energy products are intended for national consumption (lower prices) or for customers abroad (higher prices).

3. Further contacts

(a) Permanent delegation

In the course of 1975 the Commission appointed a permanent delegation in Ottawa. This delegation has both a representative and an information function and is therefore comparable with those in Geneva, Washington, Santiago de Chile and Tokyo.

¹See Annex IV.

(b) Inter-parliamentary contacts

Relations between the Canadian and the European Parliament are relatively recent. The first meeting took place in March 1973 during a visit of a delegation from the Canadian Senate to Brussels. There then followed a return visit by a delegation from the European Parliament to Ottawa. On 24 March 1974, the European Parliament adopted a resolution advocating annual meetings between delegations of the two Parliaments, to be held alternately in Canada and one of the Member States of the Community.

The first meeting under this arrangement was held on 13 and 14 November 1974 in Strasbourg. Last year the meeting took place in Ottawa on 27 and 28 October 1975.

(c) Euratom agreement

It should further be noted that as long ago as 1959 the European Atomic Energy Community concluded a cooperation agreement with Canada for the peaceful use of atomic energy. Canada has in the meantime announced that it wishes to renegotiate this agreement since the latter's safeguard provisions as regards fissile materials are less stringent than Canada's own.

(d) Sectoral cooperation

Just over a year ago, a cooperation programme was started between the Commission and Canada in the context of which three fact-finding visits to Canada have now been organized on behalf of the Community. The aim of these visits was to investigate the scope for cooperation in the following sectors: forestry, uranium production and the production of non-ferrous metals.

(e) Cooperation on environmental questions

On 6 November 1975, an exchange of letters took place in Brussels between Mr SCARASCIA-MUGNOZZA, Vice-President of the Commission of the European Communities, and Mr CADIEUX, Canada's Permanent Representative to the Community, whereby an arrangement came into being on cooperation on environmental questions between the Commission and the Canadian Government.

(f) Community visitors' programme

The European visitors' programme (the 'SCHUIJT Fund') which was originally intended only for Americans, was thrown open to Canadian participants in 1975.

III. NATURE AND SUBSTANCE OF THE AGREEMENT

Since the first draft of this report was prepared, the negotiations have been completed, and on 6 July a Framework Agreement for Commercial and Economic Cooperation between Canada and the European Communities was signed in Ottawa. This Agreement was referred to the Committee on External Economic Relations and that committee decided to deal with it in the context of the present report on commercial and economic relations with Canada.

A. Nature

This is the first time that the Community has negotiated on a purely bilateral level with an industrialised nation an agreement of a general commercial and economic nature. This is an important innovation in the Community's relationships with the economically more developed countries. In the past, non-preferential trade agreements have been concluded with a number of countries¹ whose economic structure differs from that of 'Western' countries and which therefore have a different status in world trade. These agreements are principally concerned with a limited category of products, mainly agricultural materials, which are produced in great quantities by the countries concerned. Relations with industrialised countries, with their especially wide range of products, are in this respect of course more complicated. Moreover, an important part of their commercial relations are regulated under GATT.

The Commission had always made it clear that a plain commercial agreement could add few, if any, new elements to the existing mutual commercial obligations already laid down in GATT. A recapitulation of these obligations on a bilateral level would have had little sense. On the contrary, it would only serve to complicate relations between Canada and the Community. After all, the arrangements contained in GATT can always be amended on the basis of the multilateral consultations now going on in the framework of the Tokyo Round. Incompatibility between GATT and the agreement would therefore be a real possibility. The Community therefore took the view that existing multilateral obligations do not need to be repeated on a bilateral basis. These two factors led to the conclusion that a plain trade agreement with Canada would be of symbolic value only.

¹ Successively with Argentina, Yugoslavia, Uruguay, India and Brazil.

Furthermore, there were a number of important matters lying outside the purely commercial sphere which it was hoped to settle between Canada and the Community and which were eminently suitable for a cooperation agreement. These included, in particular

- development of reciprocal investment
- promotion of industrial and technical cooperation
- guarantees for the supply of raw materials and energy products.

The purpose of the negotiations was therefore to conclude a non-preferential framework agreement on commercial and economic cooperation between the Community and Canada on the basis of the following principles.

1. Non-preferential nature

The parties endorse the principles of GATT, in particular by incorporating a most-favoured nation clause in the agreement.

2. Evolutionary nature

The cooperation will be further developed through the policy to be pursued by both parties. No sector that can suitably be the subject of economic cooperation is excluded from the scope of the agreement.

3. Parallel nature

The powers of the Member States to develop bilateral activities in the field of economic collaboration and, where necessary, to conclude bilateral cooperation agreements, are not affected in any way.

4. Unlimited duration

The agreement is of an unlimited duration but may be terminated by either party after a period of five years subject to one year's notice.

B. Substance

The agreement comprises three main elements:

1. commercial cooperation

The aim of commercial cooperation is the expansion of two-way trade. To this end the parties undertake to cooperate at international

level and bilaterally in the solution of commercial problems of common interest, to grant each other the widest facilities for commercial transactions in which one or the other has an interest, and to take fully into account their respective interests and needs regarding access to and further processing of resources. This last undertaking is the only concrete outcome of the discussions on guaranteeing access to supplies of raw materials and energy products, and it is very much regretted that not more definite undertakings could be obtained.

The parties agree, in addition, to use their best endeavours to discourage restriction or competitions by their own enterprises, including pricing practices which distort competition.

2. Economic cooperation

The agreement provides for :

- broader inter-corporate links between their respective industries, especially in the form of joint ventures;
- greater participation by their respective firms in the industrial development of the Contracting Parties on mutually advantageous terms;
- increased and mutually beneficial investment;
- technological and scientific exchanges;
- joint operations by their respective firms and organisations in third countries.

The parties also agree to encourage the regular exchange of industrial, agricultural and other information, and the development of contacts and promotion activities between firms and organisations between the Communities and Canada.

3. Consultation

The agreement will make provision for a form of consultation between the parties on appropriate questions. A Joint Committee will be set up which in general will have the task of supervising and fostering cooperation activities.

IV. CONCLUSION

Closer economic relations between Canada and the Community are to be welcomed for a number of reasons. Firstly, it is a striking fact that our share of total foreign trade with Canada is relatively small at present. This is mainly because the Canadian economy is very largely geared to the United States (which is not surprising in view of the geographical and cultural links between the two countries). If the United States' share in Canada's external trade is ignored, the Community's share amounts to 30-40 % (75 % for foreign investment in the country). It is nevertheless striking that, for example, a heavily industrialised state such as Germany accounts for only 1 to 2 % of Canada's total foreign trade. Secondly, the partners are well matched economically speaking: Canada as a producer of raw materials and energy products, the Community as an outlet for Canadian export products and as a supplier of industrial products. Finally, it should not be forgotten that the peoples of Europe and the Canadian people are closely related historically and culturally, and that the member states and Canada have a like-orientated political structure (democracy, free market economy), together with a high degree of industrial development, at the same time without being (militarily) great powers. All these factors are the best possible guarantee for lasting cooperation between both parties. Under these circumstances, therefore, the strengthening of relations in the context of a cooperation agreement is a natural development. This is the first bilateral non-preferential agreement to be concluded between the Community and an industrialised country.

It is to be regretted that the Canadian delegation were unable to agree to a commitment of principle on non-discriminatory access to resources. Admittedly, Canada gave an undertaking in the International Energy Agency to align its position gradually with that of the other participating countries as defined in Chapter V ('Legislative and administrative obstacles and discriminatory practices'), but this is not enough in itself. After all, the International Energy Agency is not a Community body, or do all the member states belong to it. The Canadian Government has expressed its willingness to cooperate in the search for pragmatic solutions on a case-by-case basis. It is vital that such solutions should be found if cooperation between Canada and the Community is to flourish.

Your Rapporteur also hopes that the 'Foreign Investment Review Act' will not represent an obstacle to investments from the Community.

The agreement makes no provision for parliamentary contacts between the two parties. These are at present flourishing on an informal basis and it is desirable that they should continue. Although, in view of the ever increasing pressure of its business, the European Parliament would have to consider very carefully before undertaking any new commitments, there is a strong case for placing the existing contacts between it and the Canadian Parliament on a more formal basis in order to ensure their continuation.

As to the form of the agreement: a broad framework which on the one hand does not impair the bilateral powers of the member states with regard to cooperation with Canada (in keeping with its parallel nature) and which on the other hand does not include any delimitation of its scope (in keeping with its evolutionary nature), there is, perhaps, some cause for anxiety. The agreement is designed to complement the member states' existing forms of cooperation, and this intention is naturally to be welcomed, but it seems reasonable to wonder whether there will not rather be an overlapping of powers and whether the Community has been given sufficient latitude within the agreement to take definite action in future. This criticism does not, however, alter the fact that the agreement deserves wholehearted approval as a landmark both in relations between Canada and the Community and in the development of the Community's commercial policy.

CANADA'S FOREIGN TRADE

ANNEX I

(in thousand millions of Canadian dollars)

	1971	1972	1973	1974	1975 (9 months)
<u>Exports to:</u>					
world	17.8	20.1	25.4	32.2	23.9
USA	12.0	14.0	17.1	21.3	15.6
EEC (9)	2.6	2.5	3.2	4.0	3.1
Japan	0.8	1.0	1.8	2.2	1.6
<u>Imports from:</u>					
world	15.6	18.7	23.3	31.6	25.6
USA	10.9	12.9	16.5	21.3	17.2
EEC (9)	1.8	2.2	2.5	3.0	2.4
Japan	0.8	1.1	1.0	1.4	0.9
<u>Balance with:</u>					
world	2.2	1.5	2.1	0.6	- 1.8
USA	1.1	1.1	0.6	0.0	- 1.6
EEC (9)	0.8	0.4	0.7	1.0	0.7
Japan	0.0	- 0.1	0.8	0.8	0.7

Source: Canada statistics

CANADA'S FOREIGN TRADE

ANNEX II

(percentages)

	1971	1972	1973	1974	1975 (9 months)
<u>Exports to:</u>					
world	100	100	100	100	100
USA	67.4	69.6	67.3	66.1	65.3
EEC (9)	14.6	12.4	12.6	12.4	13.0
Japan	4.5	5.0	7.0	6.8	6.7
rest	13.5	13.0	13.1	14.7	15.0
<u>Imports from:</u>					
world	100	100	100	100	100
USA	69.9	69.0	70.8	67.4	67.2
EEC (9)	11.5	11.8	10.7	9.5	9.4
Japan	5.1	6.0	4.3	4.4	3.5
rest	13.5	13.2	14.2	18.7	19.9

CANADIAN EXPORTS TO THE EEC IN 1974 AND 1975

ANNEX III

	1973 (in millions of Canadian dollars)	1974 (in millions of Canadian dollars)	percentage change 1973 - 1974	Jan - July 1974 (in millions of Canadian dollars)	Jan - July 1975 (in millions of Canadian dollars)	percentage change 1974 - 1975
United Kingdom	1,571.9	1,873.3	+ 19.2 %	1,073.5	1,139.9	+ 6.1 %
Germany	437.6	527.2	+ 20.5 %	303.6	351.8	+ 15.8 %
Italy	291.1	457.1	+ 57.0 %	253.9	279.3	+ 10.0 %
France	208.9	308.2	+ 47.5 %	195.0	187.1	- 4.0 %
Netherlands	279.9	380.0	+ 35.8 %	205.1	288.1	+ 40.4 %
Belgium - Luxembourg	281.0	363.4	+ 29.0 %	200.7	214.9	+ 7.0 %
Denmark	22.9	22.0	- 5.2 %	12.8	16.5	+ 28.4 %
Ireland	15.9	32.1	+ 101.9 %	20.2	10.4	- 48.6 %
Total	3,109.2	3,963.3	+ 27.4 %	2,264.8	2,488.0	+ 9.9 %

Source: Canada Statistics

CANADIAN IMPORTS FROM THE EEC IN 1974 AND 1975

ANNEX IV

	1973 (in millions of Canadian dollars)	1974 (in millions of Canadian dollars)	percentage change 1973 - 1974	Jan - July 1974 (in millions of Canadian dollars)	Jan - July 1975 (in millions of Canadian dollars)	percentage change 1974 - 1975
United Kingdom	1,005.4	1,127.8	+ 12.2 %	617.1	752.6	+ 21.9 %
Germany	606.7	764.4	+ 26.0 %	438.5	469.7	+ 7.1 %
Italy	237.2	316.0	+ 33.2 %	170.5	220.0	+ 28.9 %
France	326.8	395.1	+ 20.9 %	218.7	297.4	+ 36.0 %
Netherlands	118.0	162.4	+ 37.6 %	87.1	93.1	+ 6.9 %
Belgium - Luxembourg	103.8	173.4	+ 67.1 %	94.2	97.1	+ 3.0 %
Denmark	57.0	80.7	+ 41.6 %	46.4	46.5	+ 0.2 %
Ireland	26.4	28.5	+ 8.0 %	14.3	19.0	+ 32.7 %
Total	2,481.3	3,048.3	+ 22.9 %	1,686.8	1,995.4	+ 18.3 %

Source: Canada Statistics

CANADA'S BALANCE OF TRADE WITH THE MEMBER STATES

ANNEX V

(in millions of Canadian dollars)

	1973	1974	Jan - July 1974	Jan - July 1975
United Kingdom	+ 566.5	+ 745.5	+ 456.4	+ 387.3
Germany	- 169.1	- 237.2	- 134.9	- 117.9
Italy	+ 53.9	+ 141.1	+ 83.4	+ 59.3
France	- 117.9	- 86.9	- 23.7	- 110.3
Netherlands	+ 169.1	+ 217.6	+ 118.0	+ 195.0
Belgium - Luxembourg	+ 177.2	+ 190.0	+ 106.5	+ 117.8
Denmark	- 34.1	- 58.7	- 33.6	- 30.0
Ireland	- 10.5	+ 3.6	+ 5.9	- 8.6
	<hr/>	<hr/>	<hr/>	<hr/>
EEC	+ 627.9	+ 915.0	+ 578.0	+ 492.6

CANADIAN EXPORTS TO THE MEMBER STATES

ANNEX VI

(percentages)

	1973	1974	Jan - July 1975
United Kingdom	50.6	47.3	45.8
Germany	14.1	13.3	14.2
Italy	9.4	11.5	11.2
France	6.7	7.8	7.5
Netherlands	9.0	9.6	11.6
Belgium - Luxembourg	9.0	9.2	8.6
Denmark	0.7	0.5	0.7
Ireland	0.5	0.8	0.4
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

CANADIAN IMPORTS FROM THE MEMBER STATES

(percentages)

	1973	1974	Jan - July 1975
United Kingdom	40.5	37.0	37.7
Germany	24.4	25.1	23.5
Italy	9.6	10.4	11.0
France	13.2	13.0	14.9
Netherlands	4.7	5.3	4.7
Belgium - Luxembourg	4.2	5.7	4.9
Denmark	2.3	2.6	2.3
Ireland	1.1	0.9	1.0
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

DIRECT FOREIGN INVESTMENT IN CANADA

ANNEX VII

	E n d 1 9 7 3			
	in millions of Canadian dollars		percentages	
USA		26,021		79.4
Japan		254		0.8
EEC (Nine)		5,118		15.6
- United Kingdom	3,124		9.5	
- Germany	362		1.1	
- Italy	66		0.2	
- France	620		1.9	
- Netherlands	561		1.7	
- Belgium - Luxembourg	357		1.1	
- Denmark	23		0.1	
- Ireland	5		-	
rest		1,390		4.2
Total		32,783		100.0

DIRECT CANADIAN INVESTMENT ABROAD

	E n d 1 9 7 1			
	in millions of Canadian dollars		percentages	
USA		3,388		51.8
Japan		58		0.9
EEC (Nine)		938		14.3
- United Kingdom	590		9.0	
- Germany	87		1.3	
- Italy	36		0.5	
- France	78		1.2	
- Netherlands	67		1.0	
- Belgium - Luxembourg	32		0.5	
- Denmark	-		-	
- Ireland	48		0.7	
rest		2,151		33.0
Total		6,535		100.0

Source: Canada Statistics

ARTICLE XXIV (5 (a) and 6) of GATT

5. Accordingly, the provisions of this Agreement shall not prevent, as between the territories of contracting parties, the formation of a customs union or of a free-trade area or the adoption of an interim agreement necessary for the formation of a customs union or of a free-trade area; provided that:

(a) with respect to a customs union, or an interim agreement leading to the formation of a customs union, the duties and other regulations of commerce imposed at the institution of any such union or interim agreement in respect of trade with contracting parties not parties to such union or agreement shall not on the whole be higher or more restrictive than the general incidence of the duties and regulations of commerce applicable in the constituent territories prior to the formation of such union or the adoption of such interim agreement, as the case may be;

(b).....

6. If, in fulfilling the requirements of sub-paragraph 5(a), a contracting party proposes to increase any rate of duty inconsistently with the provisions of Article II, the procedure set forth in Article XXVIII shall apply. In providing for compensatory adjustment, due account shall be taken of the compensation already afforded by the reductions brought about in the corresponding duty of the other constituents of the union.

INTERNATIONAL ENERGY AGENCY

LONG TERM PROGRAMME

Chapter V^{*}

LEGISLATIVE AND ADMINISTRATIVE OBSTACLES
AND DISCRIMINATORY PRACTICES

1. Without prejudice to the rights of each Participating Country to exercise ownership and control over its natural resources and national economy and to protect its environment and the safety of its citizens, the Participating Countries, recognizing the desirability in light of the objectives of the Programme of not affording less favourable treatment to nationals from other Participating Countries than that afforded to nationals of their own countries in the energy field, shall work towards the identification and removal of legislative and administrative measures which impair the achievement of the overall objectives of the Programme.
2. Participating Countries shall use their best endeavours to apply legislation and administrative regulations, within the limits of their already existing laws and regulations, in such a way as not to afford to nationals of other Participating Countries less favourable treatment than that afforded to nationals of their own countries, in particular with regard to energy investment, the purchase and sale of energy, and the enforcement of rules of competition.
3. Participating Countries shall use their best endeavours to refrain from introducing legislation or administrative regulations in the energy field which would prevent them from affording the nationals of other Participating Countries treatment no less favourable than that afforded to their own nationals.
4. As part of the periodic review under the Programme the Agency shall pay particular attention to the efforts of each Participating Country to carry out its commitments under this Chapter, in particular in conformity with the above paragraphs, to identify and progressively remove obstacles to their implementation and to assess progress achieved by Participating Countries in approaching the overall objectives of this Chapter and to keep the overall balance of the implementation of the Long-Term Programme.

^{*}Chapter V is not binding on Canada.

OPINION OF THE POLITICAL AFFAIRS COMMITTEE

Draftsman : Lord REAY

By letter of 28 June 1976 the President of the Council of the European Communities requested the European Parliament, pursuant to Article 235 of the EEC Treaty, to deliver an opinion on the Communication from the Commission of the European Communities to the Council on the signature and conclusion of a Framework Agreement for commercial and economic co-operation between Canada and the European Economic Community (Doc. 213/76).

The Political Affairs Committee, which had been asked to deliver an opinion for the Committee on External Economic Relations on the text of this agreement, was also asked to deliver an opinion for the same committee on the motion for a resolution (Doc. 178/76) tabled by Sir Peter Kirk on behalf of the European Conservative Group on relations with the Dominion of Canada.

At its meeting of 12/13 July 1976 the Political Affairs Committee appointed Lord Reay draftsman. It considered the draft opinion at its meetings of 12/13 July and 2/3 September 1976 and adopted it unanimously at the latter meeting.

Present: Mr Boano, chairman; Mr Radoux and Lord Gladwyn, vice-chairmen; Lord Reay, draftsman; Mr A. Bertrand, Mr Corona, Mr Covelli, Sir Peter Kirk, Mr Mitchell, Mr Scolba, Mr Schuijt and Mr Stewart.

Introduction

Relations between the Member States of the Community and Canada have existed for a very long time. Though mainly between Canada and the United Kingdom and France, since the end of the Second World War they have been included in the wider framework of the Atlantic Community and are not limited merely to the economic sphere; Canada and the Member States have cultural and historical affinities: in 1960, 96% of the Canadian population were of European descent.

Moreover, within NATO, Canada is a major partner of those Member States of the Community which are also members of this Organization.

Since 1960, and following the Community's development, Canada has shown an increasing interest in the European Community. In fact the economies of the two are in many respects complementary and prospects for cooperation are outstanding.

This dual economic and political aspect is what makes the agreement just signed between the Community and Canada particularly meaningful.

The first mention of plans to establish relations between the Community and Canada on the basis of an agreement were made at the Paris Summit in October 1972.

In November 1972 the Canadian Government requested preliminary contacts with the Community with a view to negotiating a commercial and economic cooperation agreement.

On 20 April 1974 the Canadian Government forwarded to the Community a memorandum together with a draft commercial agreement, formally asking for negotiations to be opened.

The Community then proposed negotiating not a simple commercial agreement but an outline agreement for commercial and economic cooperation.

After Mr Trudeau, Prime Minister of Canada, had visited Europe in October 1974, the two parties clarified their respective points of view and officially opened negotiations in March 1976.

On 2 June 1976 the text of the agreement was initialled, the brief duration of these negotiations proving how carefully they had been prepared.

o o o

Commercial relations between the Community and Canada

After the United States, the Community is Canada's second major commercial partner. It is, however, true that it comes a poor second, Canadian exports to the Community amounting to 12.4%¹ as against 66.1% to the United States.

Imports from the Community represent 9.5% of total Canadian imports as against 67.4% from the United States.

Investments

Here again the Community occupies second place behind the United States. There is once more a considerable gap between Community investment and American investment (Community investment represents 15.6% of the total investment in Canada, as against 79.4% for the United States).

On the other hand, the Community takes second place for Canadian investments abroad behind the United States (14.3% of direct Canadian investment is placed in the Community, as against 51.8% in the United States).

Nature of the agreement

The agreement, which was signed on 6 July 1976 by the Community and Canada for an unlimited period has a complementary and evolutionary character in so far as it does not aim at replacing the relations already existing between Canada and each of the Member States; it is intended rather to establish a general framework for those relations.

It is a non-preferential agreement in which, by virtue of their membership of GATT, the two parties agree to grant each other most-favoured-nation treatment.

This is the first time that the Community has drawn-up an agreement of this kind with an industrialized nation. It is a particularly interesting precedent, which could be extended to other countries.

Content of the agreement

The agreement which has just been initialled seeks to resolve the following problems:

- to guarantee supplies of raw materials and of energy-generating products, as also non-discriminatory access to natural resources;
- to develop reciprocal investment,
- to further industrial and technical cooperation.

¹The figures are those supplied by the Canadian authorities for 1974

The agreement also sets out a list of the objectives of this commercial and economic cooperation.

- commercial cooperation aims basically at developing and diversifying trade at the highest possible level.

The contracting parties agree:

- to proceed with cooperation at multilateral and bilateral levels so as to resolve commercial problems of common interest;
- to grant each other the widest possible facilities for commercial transactions which are of interest to one or other of the parties;
- to take full account of their respective interests and needs as regards access to resources and the processing thereof.

They will also attempt to discourage their undertakings from raising possible barriers to competition.

- economic cooperation, based on the economic capacities and aspirations and the complementarity of the economies of the two parties, will aim at achieving a number of objectives, notably:

- the development and the prosperity of European and Canadian industry;
- the opening up of new sources of supply and new markets;
- the creation of employment opportunities;
- the furthering of technological and scientific progress;
- the protection of the environment;
- the reduction in regional disparity;
- the general development of their respective economies and of their standard of living.

- the means envisaged for the achievement of this economic cooperation include:

- cooperation in the form of 'joint ventures',
- growth in participation by commercial operators,
- technological and scientific exchanges,
- exchanges of information in the industrial and agricultural sectors.

The agreement similarly provides for the institution of a Joint Co-operation Committee which will place consultation between the parties on a permanent basis and which will aim at furthering the various commercial and economic cooperation activities.

Political aspects of the agreement

The Framework Agreement recognizes that both parties 'desire to establish a direct link with each other which will support, complement and extend co-operation between Canada and the Member States of the European Communities'. It further states the desire of the two parties 'to strengthen their relations and to contribute together to international economic cooperation'.

The policy of the Government of Canada as regards its relations with the United States of America has since 1972 been to diversify Canadian external relations and to strengthen the Canadian economy. The agreement represents for Canada a major step towards the implementation of this policy.

The political relations of the Community with Canada are at present governed by the Declaration on European Identity of December 1973¹. Its political relations with the USA are in addition conducted in accordance with the agreement made at Gymnich in June 1974, relating to prior consultation with the USA on matters of political cooperation².

Parliamentary Relations

The European Parliament and the Canadian Parliament have held joint meetings of delegations, at first informally and later formally, since 1973. At the formal meeting in Strasbourg in November 1974, both delegations expressed the hope that agreements 'to create the necessary instruments to develop specific economic and other general mutual interests' would soon be concluded³. The inter-Parliamentary Conferences with the Canadian Parliament act as a flexible and effective Parliamentary instrument for joint deliberation on all aspects of EEC-Canadian relations, political as well as economic. The conclusion of the agreement adds weight to the case for the development of these Conferences as the Parliamentary element of the new relationship between the Community and Canada.

¹ Bulletin of the European Communities, No. 12, 1973, Second Part, Chapter 5

² Ibid, No. 6, 1974, Second Part, Chapter 5

³ PE 39.157/Ann.

Conclusion

The agreement recently negotiated between Canada and the EEC is particularly important because of the many close links between Canada and the Members States of the Community. It will allow these links to be developed further, while giving them a more pronounced Community aspect.

As a large consumer of raw materials, the Community is particularly interested in developing its access to Canada's natural resources. Canada will itself benefit from developing its relations with the EEC, not only in the field of investment, and advanced technology, but also through widening its market.

This agreement will give both parties the opportunity to diversify their relations within the Atlantic framework and to assess and increase their potential for cooperation.

For the Member States of the Community the establishment of joint treaty relations with an industrialized nation will contribute to the awareness that it is now more than ever necessary to reach common agreement on the international scene, not only in trade with other industrialized nations (Puerto Rico Conference), but also in world organizations such as the UN and its specialized agencies.

OPINION OF THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS

Letter from the chairman of the committee to Mr G. Kaspereit, Chairman of the Committee on External Economic Relations

Dear Mr Chairman,

At its meeting of 12 and 13 July 1976, the Committee on Economic and Monetary Affairs considered the Communication from the Commission of the European Communities to the Council concerning the signature and the conclusion of a Framework Agreement for Commercial and Economic Cooperation between Canada and the European Communities (Doc. COM(76) 291/final). This document had already been the subject of an exchange of views at a joint committee meeting on 16 June 1976 in Strasbourg in the presence of the President-in-Office of the Council and the Vice-President of the Commission responsible for external relations.

The members of the committee took careful note of the originality of this agreement, which provides for both commercial and economic cooperation between Canada and the Community. They approved the speed of the negotiations and the content of the agreement, particularly as regards non-discriminatory access to raw materials. However, they took the view that the value of the framework agreement would depend to a large extent on the way in which it was implemented.

Moreover, the members of the committee also drew particular attention to the specific nature of this type of agreement, which was relevant only to the industrialized countries.

I would ask you to treat this letter as the opinion for your committee, approved unanimously on 13 July 1976¹, on this communication from the Commission (Doc. COM(76) 291/final).

(sgd) Arie Van Der HEK

¹ Present: Mr Burgbacher, oldest member (chairman), Mr Albertsen, Mr Artzinger, Mr Clerfayt, Mr Deschamps, Mr Hansen, Mr Martens, Mr Normanton, Mr Nyborg, Mr Prescott, Mr Starke and Mr Suck.

Opinion of the Committee on Energy and Research

Draftsman: Mr R.C. MITCHELL

On 15 July 1976, the Committee on Energy and Research appointed Mr Mitchell draftsman.

It considered the draft opinion at its meeting of 2 September 1976 and adopted it unanimously.

Present: Mr Springorum, chairman; Mr Flämig, vice-chairman; Mr Normanton, vice-chairman; Mr Mitchell, draftsman; Mr Aigner (deputizing for Mr Burgbacher), Mr Dalyell, Mr Ellis, Mr Lautenschlager, Mr W. Müller, Mr Noè, Mr Vandewiele, Mrs Walz.

I. Introduction

1. On 2 June 1976 the delegations from Canada and the European Communities approved ad referendum the text of a Framework Agreement for commercial and economic cooperation. The contracting parties to this Framework Agreement are, apart from Canada, the European Economic Community and the European Atomic Energy Community. For procedural reasons connected with the signature and conclusion of the Agreement, commercial and economic cooperation between Canada and the European Coal and Steel Community is dealt with in a separate protocol.

2. On 28 June 1976 the President of the Council forwarded to the European Parliament for its opinion (pursuant, in particular, to Article 235 of the EEC Treaty) the proposal for a Council regulation concluding and approving, on behalf of the EEC, the Framework Agreement. As regards the Protocol, the procedure for signature and conclusion differs slightly since the ECSC Treaty requires the simultaneous intervention of the Commission and each Member State.

3. Although negotiations with Canada were not authorized by the Council until 9 February 1976, Canada has long been interested in a contractual link with the Community, even before its aide memoire of 20 April 1974. For this reason the Commission and the Council are justifiably anxious to ratify these agreements without delay.

II. Analysis of the Framework Agreement and the ECSC Protocol

4. This agreement is the first non-preferential cooperation agreement to involve not only the encouragement of trade but also economic cooperation. It is also the first economic cooperation agreement which the Community has ever reached with an advanced industrial power. This cooperation is intended to extend, not to replace, the agreements already reached between Canada and the Member States.

5. As regards trade relations, the non-preferential agreement is based on the principle of most favoured nation treatment (Article I). To promote the development and diversification of their reciprocal commercial exchanges provision is made (Article II) for the Contracting Parties to:

- cooperate at the international level and bilaterally in the solution of commercial problems of common interest,
- use their best endeavours to grant each other the widest facilities for commercial transactions in which one or the other has an interest,

- take fully into account their respective interests and needs regarding access to and further processing of resources.

6. Article III proposes the development of economic cooperation in all fields deemed suitable by the contracting parties. In particular, the aim of such cooperation shall be to encourage technological progress and to open up new sources of supply and new markets. No field of economic cooperation has been excluded. The two parties intend to encourage the establishment of closer ties between European and Canadian industry, especially in the form of joint ventures, greater participation by firms in the industrial development of the two parties, increased and mutually beneficial investment, technological and scientific exchanges, and economic cooperation in third countries.

7. This agreement is intended to develop further and therefore provides a framework for the development of exchanges and economic cooperation between the parties.

8. A Joint Cooperation Committee (Article IV) will be responsible for implementing commercial and economic cooperation. The committee will normally meet once a year, with special meetings being held at the request of either party. Where necessary, subcommittees may be constituted.

9. The Framework Agreement is of indefinite duration (and may be terminated by either contracting party after five years, subject to one year's notice if it is found to be incompatible with the provisions of the agreement between Canada and the European Atomic Energy Community of 6 October 1959, the new agreement will prevail.

10. The sole purpose of the ECSC protocol is to extend the above mentioned provisions to cover the European Coal and Steel Community.

11. On a more general political level the agreement is a response to Canada's wish to diversify and extend its external relations, and it adds a Community dimension to the good relations between Canada and the Member States.

12. In the economic field, the agreement reflects the interdependence and complementary nature of the two partners. Canada is an advanced industrial nation with vast natural resources at its disposal. For its part, the Community can provide Canada with outlets for its manufactured goods and raw materials as well as being an important source of investment and advanced technology.

III. Application of the provisions of the Framework Agreement to the energy policy

13. We have already stressed that commercial and economic cooperation may be extended to all fields and, moreover, that the provisions of the Framework Agreement are worked in sufficiently general terms to allow a wide variety in their application. The practical effects of the Framework Agreement will depend on the action recommended by the Joint Cooperation Committee.

14. The Committee on Energy and Research considers that the implementation of the Framework Agreement should lead to the development and strengthening of cooperation between Canada and the Community in the energy sector and in the research and development sector as well.

1. Cooperation in the energy sector

15. Our committee feels that cooperation in the energy sector (supply and production) should prove particularly beneficial to both Parties. Canada possesses vast energy reserves - coal, petroleum and, above all, uranium. As regards the problem of supply and the Community's position as a large consumer and importer of energy, Canada therefore represents an important producer of primary energy.

16. A consideration of the extremely disturbing situation in the world market in natural uranium makes cooperation with Canada in this field even more desirable. In its annual report for 1975 the Euratom Supply Agency states that in one year the price of uranium practically doubled and that this trend is likely to continue. This trend is all the more alarming since the European Community relies on imports from third countries for approximately 90% of its uranium requirements.

17. The Agency points out that from about 1979/1980 until 1985 the Community's uranium requirements will increase steadily. The majority of its requirements is at present covered neither by long-term supply contracts nor from the known uranium reserves to which Community producers still have access. There is scarcely any possibility of making long-term purchases in view of the current rise in the price of uranium.

18. The Agency gives as one of the causes of this trend the fact that the American market plays a decisive role, given the inability of supply to meet demand, and then states that

'in view of the Canadian Government's uranium policy
(coverage of requirements for the Canadian reactor

programme for thirty years, government control over prices, few incentives to mining companies to undertake further prospecting, reduced potential for investment by foreign companies) there was little likelihood of any major deals with Canadian producers, either from stocks or from current production'.

19. The Committee on Energy and Research hopes that commercial and economic cooperation with Canada will lead to an improvement in this situation. It thus supports the Agency's conclusion that one of the main tasks will be to make it possible or easier for Community companies operating in non-member countries

- if necessary by signing appropriate agreements with the non-member countries - ... to 'undertake uranium prospecting and development either individually or in cooperation with companies in the non-member countries concerned.'

20. Our committee is, however, aware that during the negotiations, the Canadian delegation made it clear that as regards non-discriminatory access to resources, its Government was prepared to help seek practical solutions in each individual case, but that it could not accept a written clause containing a commitment of principle. Nevertheless, Article II (1) (c), (2) and (3) of the draft agreement should lead to an improvement in the supply to the Community of natural uranium and of petroleum products.

21. Under Article II the two parties are committed to take fully into account, in accordance with their policies and objectives, their interests and needs regarding access to resources. In accordance with the practical approach, mentioned in the previous paragraph, Article II also allows the contracting parties to request that the Joint Cooperation Committee periodically discuss and review the questions of access to resources and stability of supplies.

22. Our committee noted with interest the letter from the Community delegation to the Canadian delegation (Annex IV) stating that the Community expects

'that, in regard to international cooperation in the development of energy resources, Canada will contribute in the appropriate international fora, to the recognition of the principle of non-discriminatory access; and finally to record the reference made by my delegation to the Communities' intention to revert to the general issues of non-discriminatory access to resources

and stability of supply in the Joint Cooperation Committee'.

23. Finally, the Committee on Energy and Research considers that economic cooperation which, as stated in Article III of the draft agreement, aims in particular at

- the opening up of new sources of supply and new markets;
- the encouragement of technological and scientific progress,

is likely to contribute to the development of the energy industries of the two parties and therefore of energy production.

24. Such cooperation could be furthered by:

- joint participation in the energy industries, in particular those connected with nuclear energy production;
- establishing closer links between their respective industries in the energy sector, especially in the form of joint ventures;
- technological and scientific exchanges.

In this way the implementation of the framework agreement would produce the best results for both Canada and the Community.

2. Cooperation in research and development policies

25. We have already stressed that the agreement between Canada and the Community aims both at encouraging technological and scientific progress and at establishing exchanges in these fields. Our committee hopes that these aims will be achieved, since it is convinced that the Community must conclude participation agreements with third countries, especially for research in the growth industries. As far as Canada is concerned, we have already emphasized its high level of scientific and technological advancement. Cooperation in the field of energy research, particularly nuclear energy (studies into fast reactor cycles, uranium enrichment processes, etc.) as well as numerous other growth industries, would be extremely fruitful for both partners. Our committee feels that as regards joint research projects, it would be appropriate to use the procedure for COST agreements.

IV. Conclusions

26. The Committee on Energy and Research is convinced that an increase in trade and economic cooperation, especially in the energy sector and in research and development policies, can only be beneficial to Canada and the Community.

27. The Committee on Energy and Research requests the committee responsible to mention in its motion for a resolution, taking account of the above comments, the importance for Canada and the Community of setting up two working parties within the Joint Cooperation Committee:

- one to study the current situation and subsequently to propose practical forms of cooperation in the energy sector, aimed in particular at guaranteeing the two partners stability of supply, and at increasing their energy production potential;
- the other to establish those areas of research in which cooperation (for example by means of new COST agreements) between Canada and the Community is necessary or desirable.