



Robert Schuman

*Canada and the European Union:  
Strengthening Transatlantic Relations*

-Amy Verdun



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These monographic papers address issues relevant to the ongoing European Convention which will conclude in the Spring of 2003. The purpose of this Convention is to submit proposals for a new framework and process of restructuring the European Union. While the European Union has been successful in many areas of integration for over fifty years, the European Union must take more modern challenges and concerns into consideration in an effort to continue to meet its objectives at home and abroad. The main issues of this Convention are Europe's role in the international community, the concerns of the European citizens, and the impending enlargement process. In order for efficiency and progress to prevail, the institutions and decision-making processes must be revamped without jeopardizing the founding principles of this organization. During the Convention proceedings, the Jean Monnet/Robert Schuman Papers will attempt to provide not only concrete information on current Convention issues but also analyze various aspects of and actors involved in this unprecedented event.

The following is a list of tentative topics for this series:

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3. The necessity to maintain a community method in a wider Europe.
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7. Similarities and differences between the European Convention and the Philadelphia Convention of 1787.
8. The role of a politically and economically integrated Europe in the governance of the world.
9. How important is European integration to the United States today?
10. The failure of a necessary partnership? Do the United States and the European Union necessarily have to understand each other? Under what conditions?
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12. Russia: a member of the European Union? Who would be interested in this association?

Miami European Union Center  
University of Miami  
1531 Brescia Avenue  
Coral Gables, FL 33146-3010  
Phone: 305-284-3266; Fax: 305-284-4875  
E-Mail: [jroy@miami.edu](mailto:jroy@miami.edu)  
Webs: [www.miami.edu/international-studies/euc](http://www.miami.edu/international-studies/euc)  
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## Canada and the European Union: Strengthening Transatlantic Relations

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Amy Verdun\*

The Jean Monnet Chair  
University of Miami  
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\* Amy Verdun is the Jean Monnet Chair in European Integration Studies and Director of European Studies at the University of Victoria, Canada. She is currently visiting fellow at the Max Planck Institute in Cologne, Germany. Her Ph.D. is from the European University Institute in Florence. She recently co-edited a part special issue of *The Journal of European Public Policy* (Vol.10, No.1 Feb 2003) which features her article 'An American/European Divide in European Integration Studies – Bridging the Gap with International Political Economy'. Her most recent books include *European Responses to Globalization and Financial Market Integration: Perceptions of Economic and Monetary Union in Britain, France and Germany*. Palgrave-Macmillan/St Martin's Press, 2000 and *The Euro: European Integration Theories and Economic and Monetary Union*. Rowman and Littlefield, 2002.

## **CANADA AND THE EUROPEAN UNION: STRENGTHENING TRANSATLANTIC RELATIONS**

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### **Introduction**

This paper examines the relationship between Canada and the European Union (EU), from the perspective of Canada. What does Canada want out of its relationship with the EU? Why does it think that the EU is of importance to Canada? What strategies or policies are used? The paper discusses these questions by examining a number of different aspects: trade relations, higher education, Canadian welfare state policies, Canada and the United States (or what Canada can learn from the EU for its relationship with the United States), and Canada's ambition to profile itself (its foreign policy). The paper will discuss each of these issues in turn and conclude by drawing some broad comparisons between how Canada deals with each of these policy dimensions.

### **Trade Relations**

Canada is a small open economy that is very much dependent on trade with other countries. Traditionally the U.S. market has been the most important trading market for Canada. However in recent years the focus of Canadian international trade has more than ever been on the United States with as much as 85 percent of all trade being with the United States. This recent increase in the percentage of trade with the United States has made Canada realize that it is very vulnerable to any disturbances in the Canadian-U.S. relationship. As Pierre Lortie, President and CEO of Bombardier Transportation, has said at a Canada-EU Summit in Toledo, Spain, on 8 May 2002: “[T]he overwhelming reliance on the United States is now becoming a growing concern because it increases our economic vulnerability... it is risky to place ‘all your eggs in the same basket!’” (<http://www.dfait-maeci.gc.ca/canadaeuropa/canada-eu/b5-2002-lortieespeech-en.asp>). This dependence on the United States also became immediately clear in the aftermath of the September 11, 2001 terrorist attacks on the United States. For a few days the Canadian – U.S. border was closed completely and in its wake the border was controlled more sharply than before. Other issues such as the softwood lumber case also show the devastation to a sector of the Canadian industry if the United States chooses to toughen up on trade or decide to block itself off to trade from Canada.

The European Union is the next biggest market for Canada, but falls well behind the U.S. market. Although in absolute terms the trade volume with Europe has increased, in relative terms its share has fallen behind that of the trade with the United States. Policy makers have signalled out the European Union as being a very important trading partner, in which Canada wants to invest more in order to have diversified trading markets.

In order to promote more trade with Europe, the Canadian government decided in 2002 to start the negotiations on a Free Trade Agreement with the European Union. The aim is to abolish barriers to trade between Canada and the EU. Even though the tariffs are not very high (Canadian tariffs for European products are on average 8.7 per cent whereas European tariffs for Canadian products are at 15.5 per cent), the abolition of trade barriers would aim to give an extra

stimulus to trade between the two areas. Such an agreement would be an important step, and very daring, as the United States would not be involved in this bilateral Canada-EU trade agreement. The adoption of the euro has already removed one barrier for Canadian trade, but the EU's regulatory approach and competition policy still create barriers for Canadian business ([http://www.dfait-maeci.gc.ca/cfp-pec/library/retreat\\_europe-en.asp](http://www.dfait-maeci.gc.ca/cfp-pec/library/retreat_europe-en.asp)). The Canadian government has set as its goal the facilitation of trade with Europe (among other things through trade agreements) rather than merely expecting the business sector to do so.

The idea of a Canada-EU trade agreement was already proposed in 1994 by the then Canadian Trade Minister Roy McLaren. It was given new meaning by the Standing Committee on Foreign Affairs and International Trade (FAIT), when it recommended a free trade agreement with the EU ("Crossing the Atlantic" – Standing Committee on FAIT Report).

In 1996 European officials carefully launched the idea of a Transatlantic Free Trade Area (TFTA) between the EU and the United States. It never got off the ground, but Canada remained keen. Since then the United States has picked up the idea of having a free trade agreement with the EU. But the EU did not respond positively at all. In part these possible trade agreements between the EU and Canada and/or the United States reflect a certain degree of "jealousy" on the part of Canada and the United States because they know that Mexico managed to obtain a special arrangement with the EU and only negotiated over the course of a year. Mexico's free trade agreement with the EU consists of tariff elimination on industrial goods as well as preferential tariff quotas for certain agricultural products (those not subject to liberalization). In November 2002 Canada suggested that a bilateral free trade agreement could be negotiated after the Doha Round. Further details would be elaborated in the December 2003 Canada-EU summit. (These types of summits take place very six months, and have been taking place since 1990 (the Transatlantic Declaration).

The EU market is particularly attractive to Canada since it increased in size. It is the world's largest single market. It overtook the United States in exports and population (377 million on 1 January 2001) and rivals it in Gross Domestic Product (GDP) (its share of the world GDP is 20.3 percent whereas that of the United States is 21.9 percent. Canada has 2 percent of the world GDP). Canada's imports from the EU have doubled in the past decade. It now is 10.1 percent of all imports to Canada (or 38.4 billion in 2002) come from the EU. By 1 May 2004 the EU will have twenty-five members (that is, ten new members will join).

Besides trade Foreign Direct Investment (FDI) plays an important role in Canada-EU relations. The aggregate value of EU FDI in Canada was \$76 billion in 2001 and was 23.5 percent of all FDI in Canada (<http://www.dfait-maeci.gc.ca/canadaeuropa/canada-eu-b2-en.asp>).

Canada and the EU have already for some years worked on the institutions that should help these initiatives for closer cooperation. Already in 1976 a Canada-European Community (EC) framework agreement was created that provides for regular dialogue between Canada and the EU, and that provides the legal basis for further collaboration between the two areas.

Regardless whether Canada and the EU will succeed in their endeavours to create more trade between Canada and the EU, both countries are full of eagerness to take the next steps.

They are also keen to reduce tariffs throughout the world (for example through the World Trade Organisation process). Both Canada and EU are strong advocates of multilateral agreements. This support extends not only to international trade, but also in the area of international criminal justice (the International Criminal Court in The Hague) and international agreements on reduction of carbon dioxide emissions (Kyoto).

### **Higher Education and Canadian Welfare States**

Another very important area for Canadian collaboration with Europe is that of Higher Education. In its policies Canada has been keen to promote the best possible connections with Europe so as to diversify its knowledge base. It has promoted programs in Transatlantic Higher Education and Training in which universities and sometimes institutions from Canada and Europe collaborate to promote training of students in programs that involve various Canadian and European universities. Canada has also looked towards Europe for research collaboration (in particular in the area of science and technology) and to increase the number of faculty and student exchanges.

Various centres of European studies have emerged in recent years in Canada that have received funding from the European Commission. These programs aim at promoting the exchange of ideas, students and academics between Canada and the European Union. Likewise the Department of Foreign Affairs and International Trade has financially supported many conferences on topics that deal with European Union studies that were organised by Canadian professors in Canada as well as by Canadian professional associations that study the European Union (such as the European Community Studies Association Canada ECSA-C).

Besides Higher Education, Canada is very motivated to examine the various European social models to see to what extent Canada can maintain its own concept of the welfare state. Canada finds itself in a very precarious situation because it is in principle focused on the United States, but exactly in this field Canada is convinced it does not want to learn too much from the United States. Instead the European countries offer various models that still work today, even if European member states have showed a number of models that might not work. This is typically what happens when one country gradually moves from a more state oriented set of welfare policies to more market oriented ones, significantly reducing the role of the state. A similar trend seems to be the case in all OECD (Organisation for Economic Co-operation and Development) countries, but in the Canadian case and that of Europe the trend is not quite as salient as that of the United States. Thus Canada looks to Europe to see how to maintain welfare state institutions (public healthcare, public education, unemployment benefits, public pensions and so on) without these services becoming overly expensive.

### **Canadian Identity and its U.S. Partner**

Besides these relationships the two neighbouring developed North American countries have a considerable amount in common, yet a distinct sense of their role in the world and their philosophy at home regarding policies. Canada has a hard time identifying itself to the North of the larger giant, without relying too much on the comparison. When interviewing over 200

students about their view of what it is to be Canadian, almost all reflected on what distinguishes “Canadians” from “U.S. Americans”. The Canadian identity is an example of a negative identity (describing what one is, by emphasizing what one is not). The 200 young Canadians that were interviewed described Canadians as being quiet, modest, polite, multicultural etc. (as opposed to the U.S. Americans which were pictured as loud, arrogant, rude and having a melting-pot concept of dealing with new immigrants). Canadian identity was also composed of its geographical, linguistic and socio-political characteristic. Reference was made to the vastness of the country with its sparse population, its bilingual character and the aim to secure a public welfare state that aims at social solidarity rather than increasing the divide between the rich and the poor.

Clearly not all of these characteristics would be shared with the Europeans, but in some factors the Canadian identity was closer to that of the Europeans than that of the U.S. Americans. If one examines the multiculturalism, the more languages, the role of the welfare states and the importance of public education, as well as the social solidarity one finds more natural support from policies pursued in some of the EU countries rather than necessarily in the United States. There is one more factor that pushes Canada (under Chretien) closer to Europe than to the United States: foreign policy.

In discussing Canadian identity the government of Canada has also often stressed that Canada sees itself as subscribing to a number of key values. These values include democracy, human rights, multiculturalism, social cohesion, respect for equality and diversity. It considers it important to highlight these values when dealing with other countries. In addition to “Team Canada Missions” to Europe with delegates of business and government participating, the Canadian government has recently also made trips abroad (recently to Russia) with poets, artists, ballet dancers, novelists and so on to promote Canadian culture and to reach out to collaboration with other countries. In this respect Canada is keen to collaborate with Europe as much as it does with the United States, but also with the wider international community.

### **Profiling itself – Canada and Foreign Policy**

In recent years the Canadian government under Prime Minister Jean Chretien and Foreign Minister Bill Graham have stressed the importance of Canada having a clear profile of itself. In many ways it was seen that if Canada is not on the radar of other states, Canada loses out on economic activity but also on its sense of prominence in the world. The result was that Canadian politicians took a stronger stance on matters such as the Kyoto Protocol, the Convention on Racism in Durban, being critical about the U.S. unilateralism in the conflict on Iraq and generally starting an open debate on foreign policy.

Canada for years had built up a reputation for peace keeping in the world. However, due to constant cut backs in public spending on defence matters, Canada was reducing its contribution to regional peacekeeping. At the same time, Canada realized that it was important not to be seen as a marionette of the United States. The worst that could happen to Canada was that it would be perceived by its citizens and those outside it that it would just be an extension of

the United States. As a result the Canadian government provoked the world by speaking out, by doing things differently and by reconsidering its role in world security as the time passed.

Canada had a lot of strength in the European Union. Canada was becoming more and more aware that in defence matters, the United States is more powerful than the next 10 countries combined. On the one hand, of course, this is a nice situation for Canada. The large neighbour and close ally to the south would be looking after Canadian security. At the same time it was clearer than ever that Canada would have to accept that it needs to take responsibility for its own security and its own sense of contribution to world peace. Canada was very frustrated with U.S. unilateralism (for example in the spring of 2003 when the Iraq crisis was at its height). But it is clear that if one is to keep the United States on board, one needs to consider the U.S. needs.

Canada however is happier with multilateral cooperation within the context, for example, of the United Nations. It was pleased to see that France and Germany in the spring of 2003 were upset with the United States and willing to stand up against American dominance. For Canada this show of opposition from those European countries was treated with great pleasure.

Canada, however, has had to pay the price for not being unconditionally supportive of the United States. The larger neighbour treated Canada poorly in subsequent years as it felt that it needed to signal the lack of support from its northern neighbour. This retaliatory behaviour of the United States makes some believe that it would be better if Canada just gave in to U.S. pressure. Others make the case for the opposite, namely that Canada would be better off strengthening its ties with Europe as it should become less uniquely dependent on the United States.

### **Conclusion: Canadians Turning to Europe to Balance its Relationship with the United States**

We started off asking what Canada wants out of its relationship with the EU, why does it think that the EU is of importance to Canada and what strategies or policies are used. This paper has shown that Canada's relationship to the European Union is completely coloured by its relationship with the United States. When Canada's dependence on the United States for its market or its military support is getting too large, Canada turns to Europe. When Canada finds that it wants to keep its healthcare system in tact but cannot find a successful model in the United States to copy (or to learn from) it focuses on the European Union Member States. Even in the area of research and higher education Canada seeks to collaborate with the European Union member states to have the next generation learn something from their European cousins. When examining these policies we can draw some broad comparisons. Canada uses Europe to find a successful model when in its view the U.S. model is no longer valid, or when the U.S. model no longer serves as a good example to solve the current day problems.

Canada's relationship with Europe will probably strengthen as it needs strong motivation from at least one of the two transatlantic partners (in this case Canada) to overcome difficult obstacles to create trade agreements, collaborate on foreign policy, research policy and higher education, and learn lessons from each other's experience on how to keep public healthcare



affordable with an ageing population. The potential for successful collaboration is dependent on the countries really wanting to work together. In other words, it demands that Canada and European Union Member States put in place institutions that will accommodate these developments. In light of recent developments between Canada and the United States it is highly likely that Canada-EU relations will strengthen importantly in the future.

### **Sources for Further Reading:**

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