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TEXT OF STATEMENT ON COMMUNITY/CANADA RELATIONS BY  
Mr. J. HALSTEAD, CANADIAN ASSISTANT UNDER SECRETARY,  
DEPARTMENT OF EXTERNAL AFFAIRS, ON 26 SEPTEMBER 1974,  
AT THE NEW YORK MEETING OF POLITICAL DIRECTORS OF THE  
NINE WITH CANADIAN GOVERNMENT REPRESENTATIVES



NOTES FOR A STATEMENT TO THE NINE POLITICAL CHIEFS IN GENERAL

May I begin by saying how pleased we are at this opportunity to discuss with you the ideas which were contained in the Canadian Aide-Mémoire presented to the Nine and to the Commission last April. You will recall that the Aide-Mémoire was handed over in response to your invitation to us to make proposals on the further definition of our relations between Canada and the European Community and the Nine.

I would like to situate our Aide-Mémoire in the broader perspective of Canadian foreign policy. This policy is designed among other things to establish a certain balance in our external relationships. It seeks to enhance Canada's independence and to reduce Canada's vulnerability through the diversification of our external interests, notably our external economic interests. In pursuing such a policy, we see Europe as occupying a place of first importance. Consequently we have for some time been following the policy of strengthening and adding substance to our relations with Europe in as many fields of mutual interest as possible. Our bilateral relations with member countries of the European Community already have a long history on which to build and we intend to continue our policy of deepening and broadening those relations. On the other hand, the Community is a relatively new institution, requiring a new and imaginative approach. An added impetus was therefore given to our European policy with the emergence of the European Community as an increasingly important entity on the international scene and particularly so with its enlargement to Nine. Moreover,

international developments in recent years have created an increased awareness in Europe and in Canada of the opportunities for mutually beneficial co-operation and exchanges, particularly of an economic and technological nature. We believe that Canada/Community relations should be seen in a dynamic context which will take account of the Community's own development and allow for a broadening of our bilateral relationship as both Canada and the Community continue to grow and develop. There is much to be said for a relationship which allows for close contact in a situation where we are both in the process of developing basic economic and other policies which will be guidelines for our activities over the next decade or so.

There has therefore been a conscious policy decision by the Canadian Government to seek to expand our relations with the Community and the Nine. This policy is based on an assessment that the Community, in spite of the complexity of the task and the formidable obstacles facing it, is a permanent and dynamic force on the international scene. Our policy also recognizes that we must adapt to the implications and changes this emerging European entity brings with it, both in the economic and the political domains, some of which have caused us concern and others of which have evoked much sympathy in Canada. Our policy seeks to reconcile our different reactions to this phenomenon, to make the necessary adjustments and to maximize the

positive possibilities. We therefore look for the advantages to be derived from a serious relationship with the Europe of Nine - in essence to develop new interests, not to protect old ones. In this way, we believe it to be a creative policy and look to the Nine and the Community to meet us in the same spirit.

Another aim of our foreign policy, in line with the goal of establishing a balance in our external relations, is to differentiate the nature and needs of Canada from those of the United States. We have sought to develop on the part of third countries, and in particular those of Europe, an awareness of Canada as a distinct and particular country in the World Community - one which no doubt has many features in common with the United States, but many others which are distinctive and different.

The need to pursue these aims actively was reinforced in the context of Dr. Kissinger's "Year of Europe" initiative. There seemed to us in Canada to be a regrettable tendency in that exercise to see "transatlantic relations" as relations essentially (if not exclusively) between the Nine and the United States. In a more positive light, the exercise gave greater

incentive to both Canada and the Europe of Nine to search for a better understanding of those specific features and interests which mark our relationship.

The Aide-Mémoire which we gave you in April was a serious attempt on our part to move towards a clearer understanding of the particular interests shared by Canada and the Community and to define a framework within which our bilateral relations could develop further. We trust that the Community, on its side, shares Canada's aim of increasing and improving the nature and quality of our relations. We think we have been successful to some degree (though still not entirely satisfactory, I must note) in establishing in Community minds the distinctiveness of Canada and in raising Canada in priority in the Community's scale of values. There appears to us to be an increasing awareness in the Community and the Nine of the benefits which can accrue to both parties from a broadened relationship. In this sense, we were gratified by the particular reference to Canada and to the desire of the Community to develop a constructive dialogue with us embodied in the summit communiqué of 1972. We have also

welcomed the growing contacts which have been established between Canada and the Commission, both through informal exchanges between Commissioners and Canadian Ministers and the useful semi-annual consultations which are held alternatively in Brussels and in Ottawa. The prospective opening of a Community office in Canada in 1975 is another notable event in this context.

There are of course very practical reasons why the Community should feel that Canada is a country of some importance to it, and one which merits particular attention. Apart from Western European countries with which the Community has concluded special trade arrangements, Canada is one of the principal markets of the enlarged Community following the United States, similar in importance to Japan and ranking ahead of the USSR. European Community exports to Canada in 1973 totaled some 2½ billion dollars and Canada provided a major market for a range of European finished goods such as motor vehicles, textiles, wearing apparel and office machines. Although figures are more difficult to come by in the investment field, the Nine had direct investment in Canada in 1970 of some 4 billion dollars - this was 15% of all foreign direct investment in Canada and, leaving aside USA investment, accounted for 80% of all foreign direct investment in Canada. I do not wish to labour the point: it is clear that, in palpable terms as well as the intangible terms of shared values and ideals, Canada is important for the Community, just as the Community is important for Canada. In

recognition of this, and on the basis of a shared view that we should give further substance to our relations, the time has come to see if we cannot move another step forward.

Since the most immediate and most obvious areas of our relationship at the present time relate to trade and economic questions, it is our view that the negotiation of a contractual basis for this relationship would be an appropriate first step in the development of a broader relationship. It was for this reason that we proposed in the Aide-Mémoire the negotiation of a trade agreement. It seemed to us to be the most direct and uncomplicated form of contractual relationship since it would be clearly within the existing competence of the Commission. At the same time it would provide a solid basis and framework for developing bilateral consultations and co-operation between Canada and the Community in an important area left so far largely to multilateral forums.

We were aware however that this would be a new departure for the Community (in the sense that to date you have no agreement of this kind with industrialized countries) and would thus present, as any new developments do, complications and difficulties. We therefore indicated that we realized negotiation of a contractual relationship would probably take considerable time. At the same time, we therefore <sup>we</sup> indicated our willingness to look at the possibility of the development of a "statement of principles" which might be seen as a definition or catalogue of the underlying themes and factors upon which Canada/Community relations are based. In part, of course, this idea of a statement related to the



then current concepts of declarations as embodied in the Year of Europe exercise.

It was also related to another important objective I have mentioned previously, that of defining a framework within which to develop our bilateral relations. We believed it to be a useful exercise for both Canada and the Community to attempt to set down in a comprehensive and ordered manner those common principles and objectives which Canada and the Community share. It is our impression that the Community and the Nine for their part consider that these shared principles and objectives which spread over the broad spectrum of human values are an important element in the relationship between us. In practical terms, moreover, it seemed to us that the task of defining them was one which could be accomplished in a time frame considerably shorter than that which would be required for the negotiation of a trade agreement. Thus we put forward our proposal as a sort of two-pronged suggestion - the development in the short-term of a framework statement and the development over a longer time period of practical expressions of that relationship in a contractual form, in the first instance a trade agreement. The commitment by both sides to enter into negotiations for such an agreement would be an earnest of our mutual desire to intensify our bilateral relationship.

In proposing the negotiation of a contractual basis for Canada/EC relations, we indicated that while we had certain views on the contents of such a trade agreement, we were flexible on the exact form it might take. In part,

our views were conditioned by the extent of Community development and the degree to which the Commission had responsibility in certain areas. We believed, however, that the very act of negotiating would lead us closer to the determination of the precise form of contractual relationship which would be most appropriate for Canada and the Community in the state of development of both, as well as the international situation as it then existed. In short, the scope of the agreement would emerge as negotiations proceeded and both sides were better able to define objectives and identify limits. What seems to us most important is that both sides, if they are agreed on the importance of our relations, agree that in principle we should seek to establish a contractual basis for our relations and begin to explore the form in which this might best be embodied. We have been encouraged by the objective way in which the Commission has responded to our views in the very informal contacts we have had on this matter. They have not hidden from us the difficulties which our proposal raised but equally have shown an understanding of our objectives and an appreciation of the common interests which are in play. They have, we understand, reported to the representatives of Member governments and we hope that this report may offer a positive perspective for progress in our relations.

We believe that the time has come to establish with a little more precision the areas in which we are in agreement, the framework in which we can proceed, and the

possibilities which exist for forward movement. May I assume we on the Canadian side are correct in believing that the concepts and principles outlined in our Aide-Mémoire correspond in large degree to your own thinking about the basic elements which are common to both sides and which naturally underlie our relations? Are we also correct in believing that you share our desire to develop closer and deeper links between Canada and the Community and the Nine? Are you in agreement that it would be desirable to see this relationship enhanced in some contractual form? It seems to me that if the answers to these questions are positive, then we have a sound basis for further movement.

Our thinking has evolved to some degree since the presentation of our Aide-Mémoire. In part, this is a result of the discussions we have had both with you and with the Commission and, to a lesser degree, a result of the changing international situation. We have begun to think less in terms of the development of relations in two different time frames (i.e., the concepts of an earlier statement of principles and a later trade agreement), and more of the development of our relations in a continuum. By this I mean that perhaps it is now not so important as it seemed some time ago to attempt to have a separate statement of principles underlying Canada/Community relations. If I am right about your reaction to our

Aide-Mémoire, in a sense that statement of principles already exists and could be given more formal verbal expression on some convenient occasion. We believe that at the present time it is more important to continue our "constructive dialogue" and explore how we may work towards the development of a more formalized or institutionalized relationship through a contractual arrangement which can open the way to further practical co-operative arrangements as suggested in the Aide-Mémoire. If we can work in this direction we will in effect be in the process of further defining those principles and considerations which both sides feel are an important underlying factor in our relationship. As I indicated before, we are flexible in our approach. We do not wish to be dogmatic in insisting on any particular form of agreement but we believe the concept of a trade agreement is the most practical first step along the road we wish to take. At the same time we recognize that in the last analysis the determination of what can be included will depend largely on the degree of Community development and the scope which, on your side, you believe you are able to consider. On our side, it will also have to take account of the particular characteristics and limitations of Canada's position.

There are two further factors which are, I believe, important reasons for us to take another step now. The first is the necessity to maintain the momentum which has already been created in developing Canada/Community relations. If we share a mutual desire to

enhance and expand our relationship, any faltering now, after such careful nurturing, can only be detrimental to that shared goal. The second factor, which is of major importance, is the forthcoming visit to Europe in the second half of October by the Prime Minister of Canada. It is naturally the Prime Minister's hope that his visit to the Community H.Q. in Brussels can be marked by real progress in advancing Canada/Community relations and I trust we can count on your support for this objective. It is clear however that we have precious little time in which to accomplish this.

It is thus our desire to see our present meeting lead to a greater degree of focus in future discussions than we have had until now. By this, I do not mean to underestimate in any way the importance of the mechanisms of communication we have already built up between Canada and the Community. Instead I want to suggest that we should move into a new phase of our dialogue. I hope we have come to a point at which both sides can agree that it is desirable to undertake a more formal joint exploration of the possibilities for negotiating a bilateral contractual basis to our relationship - one which will not only correspond to the present reality but will also look with some imagination to the potential importance and breadth of our future relations. If you are prepared to do so you will find us ready to consider negotiating with the Community an instrument which would be sufficiently flexible to encompass our existing trade relations and

provide an avenue to the development of wider economic links. In a changing situation, where both Canada and the Community are themselves evolving, there must surely be scope for developing new modalities which will correspond to the requirements of our relations as they grow. There is challenge for both sides in this situation and we hope that on both sides the will and the way will be found to meet it successfully.

In summary, then, we are at this time seeking answers from you to the following specific questions:

- 1) Can we use the Canadian Aide-Mémoire as a point of departure for our further dialogue, considering it (with whatever comments you may wish to add) as a workable framework in which to situate Canada/Community relations?
- 2) Can we agree that the next step within this framework should be to work towards a contractual instrument taking the form of an agreement dealing with a broad range of such commercial policy issues as can be agreed between us in the course of the negotiations?
- 3) Are you prepared to support the opening of negotiations on such an instrument between Canada and the competent Community institutions?