

# European Community

## News Release

Background Note

CANADA AND THE EUROPEAN COMMUNITY

AS TRADING PARTNERS

Keynote Address by Mr. Wilhelm Haferkamp,  
Former Vice-President, Responsible for External Relations,  
of the Commission of the European Community,  
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Press and Information Service

Ladies and Gentlemen,

It is a great pleasure for me to be back in Canada. This time I am not here as a trade negotiator or as a participant in the «Quadrilateral Trade Ministers' Meeting». The «Quadrilaterals» and their origin are a good example of Canadian involvement in significant chapters of the recent history of world trade.

In 1981, the annual Western Economic Summit took place at Montebello, Quebec. Noting the achievements of the Tokyo Round, the Summit participants instructed their representatives in the field of trade to keep under close review developments in world trade. And so we did!

Canada, the United States, Japan, and the European Community instituted biannual «quadrilateral» meetings representing a useful tool to cope with threats to the world trading system.

Another example of Canada's position as an important player in the arena of world trade:

Under Canadian presidency, both the GATT Ministerial meeting in Geneva in 1982 and the OECD 1984 Ministerial meeting in Paris adopted decisions aimed at stimulating multilateral trade liberalization, such as the rollback of protectionist measures and the acceleration of the tariff reduction schedule of the Tokyo Round.

Speaking about EC/Canada relations traditionally starts with or includes a reference to all the things that bind us: our longstanding friendship, our common historical roots, our commitment to the same values, political system, etc., and to our resolve to jointly defend our interests and values within the Atlantic community. This is all very true and well-known to everybody, so that I need not go into these points once more today. What I would like to focus on with you are the economic aspects of the EC's present relations with Canada. The main questions here are the following: is the objective of reaching closer economic ties with the European Community, as formulated so often since the early 1970's losing ground? Is there a future for an expanding economic relationship between Canada and the European Community? What is the Community's place in Canada's external relations, in particular its trade relations?

A constant major element in Canada's history and a key factor in the orientation of the country's foreign policy, including its trade policy, is the proximity of the U.S. and the effects this has on Canada.

Canada's position towards the U.S. has been an almost permanent search for an acceptable equilibrium between striving for political and economic independence on the one hand and recognising the advantages of a strong economic interdependence with the U.S. economy on the other hand. The search for that acceptable equilibrium has rarely been easy and the emphasis shifts in accordance with political and economic conditions inside and outside Canada.

In recent years, and particularly under the present government, there has been a move back to closer links with the U.S. Improved relations with the U.S. have been a top priority for the Mulroney Government from the outset and it is obvious that economic considerations and economic conditions are the basis of this re-orientation, as reflected in the Prime Minister's statement last month, to enter into free trade discussions with the U.S..

The rising tide of protectionism in the U.S. is frightening many producers, exporters and politicians in Canada. Viewed from a Canadian perspective, one way of reducing the risk of protectionist actions would be to anticipate events by concluding a global, or several separate, free trade agreements.

Apart from the 'protectionist threat' factor, it is quite natural for Canada to pay so much attention to relations with the U.S. since about 78% of its exports go to the U.S. and 72% of Canada's imports come from the U.S..

Canada also needs new investments and here again the U.S. are the 'natural' source at least if investment conditions are attractive. For many potential investors, both American and European, the old FIRA (Foreign Investment Review Agency) legislation was an obstacle to investing in Canada. We therefore welcome the replacement of the FIRA system by a new legislation that is more open and friendly to new investors.

The question which normally arises in the mind of a European watching the recent evolution in Canada's external trade relations is then: will this process of closer U.S./Canada links be to the detriment of EC/Canada relations? Will continentalism and a shift to more attention for the Pacific rim countries be the key characteristics of Canada's external economic relations in the future?

My hope is that such developments would not negatively affect Canada's relations with the European Community. For us in the EC, a healthy and expanding trade relationship with Canada is an extremely important objective. I am sure this is so for Canadians too, since the Community is your country's second most important trading partner: 26% of Canada's exports to countries other than the U.S. went to the Community.

What does the Community represent for Canada? What is its importance for Canadian exports and thus for Canada's economic well-being?

First of all, the EC constitutes an enormous export market with some 320 million consumers after the Spanish and Portuguese accession. The EC is the world's largest trader, responsible for almost one-fifth of total world exports and a roughly similar share of world-wide imports.

In this context, I should also mention that the free trade area in Europe does not only comprise the Community of the 12 but also the so-called EFTA countries, i.e., the countries belonging to the European Free Trade Association, namely Norway, Sweden, Finland, Iceland, Austria and Switzerland. Virtually no tariffs or quantitative restrictions affecting trade in industrial goods exist between these countries and the Community since 1 January 1984.

The Community market is easily accessible. The average tariff rate of our common customs tariff on industrial goods is less than 5% as compared with over 10% for Canada. There are no quantitative restrictions for Canadian products.

Our market accessibility reflects the Community's strong support for greater liberalization of world trade. This support is born, in part, from the dynamic economic growth which resulted from the progressive removal of barriers to trade between our Member States. Further liberalization of trade, both within the Community and with the rest of the world, has our unequivocal backing, reflected in our commitment to an early start for a new round of GATT multilateral trade negotiations. We believe Canada shares this perspective.

Nevertheless, in recent years there has been a decline in Canada's traditional trade surplus with the EC. This is due to the economic recession which hit the EC as strongly as Canada, and to the strength of the Canadian Dollar vis-a-vis most EC currencies, especially since 1981/82.

Europe is also an important source of investment for Canada. Six out of Canada's seven largest sources of investment are European, as is stated in the report 'Competitiveness and Security', published earlier this year by Secretary of State for External Affairs, Joe Clark. The report goes on to say that much of that investment brings technological innovation. It is in the Canadian, but also the European interest to encourage more such investment and technology transfer.

Canada is important for the EC. We regard your country not only as a stable supplier of a number of raw materials, energy and agricultural products, but also of chemicals and many manufactured products, of which more and more belong to the 'high tech' sector. Canada is an important outlet for our exports and it is an attractive place for investment.

A decline in the value of the Canadian Dollar, and the greater convergence of growth rates on the two sides of the Atlantic, will certainly improve the competitive stand of Canadian exports, so that the 1984 Canadian trade deficit with the Community may prove to be an exception. But it is up to Canadians to make the necessary trade promotion efforts in the Community, which is not only, as I have said, a very open market, but also, a very sophisticated market, characterised by differences of culture, language and taste.

On the whole, Canada/EC trade is taking place without great difficulties. The sectors in which we have problems constitute only a minor part of our bilateral trade. For example the Community's footwear, beef and alcoholic beverages exports to Canada represent not even 7% of our total exports to Canada. And the difficulties which Canadian exports of, take, seed potatoes or baby seals skins experience are very limited in scope compared with total Canadian exports to the EC. But actions to restrict trade are a source of very serious concern for the sectors concerned, and we have to try to solve them as quickly as possible, in accordance with the accepted rules of international trade, in particular those of the GATT.

We, Canada and the Community, ought to envisage some concrete and concerted actions such as:

- a further reduction of tariffs and non-tariff barriers which could take place during a new round of multilateral trade negotiations;
- a more efficient market exploration and trade promotion through, for instance, trade missions and participation in trade fairs, and,
- a better mutual access to public procurement markets.

The Community for its part has just decided to advance the last tariff reductions, as agreed in the Tokyo Round, to 1 January 1986 instead of 1 January 1987.

The Community has also recently embarked on an action programme aiming at finalizing the establishment of a genuine internal market by 1992, at which time all still existing internal non-tariff barriers to trade would be eliminated.

In this context, industrial standards, applied in the Member States, will be harmonized.

These measures by the Community will also benefit its trading partners. Exporters to the EC will, for example, only have to conform their products to one uniform Community standard. As concerns Canada, this might be helpful in encouraging Canadian exporters to explore also other markets than the United Kingdom when exporting to Western Europe. Generally speaking, it is expected that full implementation of an internal market of 320 million inhabitants will lead to increased economic growth and thereby augment export possibilities both for the Community and its trading partner.

As concerns Canada, I wish to point out that this country could contribute in a valuable fashion to increased mutual trade with the European Community by dismantling trade restricting practices, such as import quotas on, for instance, footwear and beef. Canada could also facilitate our trade relationship through the abolition of discriminatory taxation practices. I am not least thinking of the way Canadian provincial liquor boards deal with imported European wine.

There is serious concern in the Community over the current protectionist trend in the United States. We hope very much that Canadian producers, exporters and politicians will not jump on the protectionist bandwagon currently rolling in the U.S. Congress and in wide circles of the U.S. business community. A protectionist bushfire all over North America would have very serious consequences for the liberal international trading system which we all want to preserve, and to which we have so often declared our commitment at economic summit meetings and on other major occasions.

Protectionism can only lead to an escalation of measures and counter-measures, suffocating in the end all free trade, competition, innovation and research, to the detriment of everybody. But, if we are successfully to resist protectionism on both sides of the Atlantic, this can only be achieved by means of a consensus at international level, which in practice means through the GATT.

We in the European Community remain firmly committed to the open multi-lateral trading system, and believe that it has, on the whole, served us pretty well over the past three and a half decades. We are ready to contribute to a further refining and strengthening of the international GATT rules under which we want to operate, but we will also define our rights under the GATT system. The system can only successfully operate if its rules are respected by everybody, and especially by the major contracting parties.

It is therefore important that we make all possible efforts in our bilateral trade to resist requests for protective action, to terminate as quickly as possible existing restrictions and to act together as privileged partners to combat the current wave of protectionism.

The report I referred to earlier on 'Competitiveness and Security' states that, «The European Community is a key player in the international economic system. It is one of the pillars of the industrialized world. It is a major source of world investment and technology».

I believe that this statement constitutes an excellent summary of the importance of the Community for Canada and of the need for maintaining close economic ties between us.

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