

EUROPEAN BACKGROUND INFORMATION COMMUNITY

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Background Note
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EUROPEAN COMMUNITY AND CANADA TO SIGN COMMERCIAL AND ECONOMIC COOPERATION PACT

The European Community and Canada will sign a broad commercial and economic cooperation pact on July 6 in Ottawa, it was announced today in Brussels.

This agreement marks an entirely new departure in the development of the Community's external relations. It is the Community's first non-preferential cooperation agreement dealing not only with commercial affairs, but also with economic cooperation, such as cross-investment, exchanges of technology and expertise, and the promotion of contacts between companies in Canada and in the Community.

Politically, the agreement is a response to Canada's desire to diversify and extend external relations. It adds a Community dimension to existing relations between Canada and individual member states.

Economically, the agreement reflects the interdependence and complementarity of the two partners. Canada is an advanced industrial nation with vast natural resources. The Community provides outlets for Canadian manufactured goods and raw materials and is for Canada an important source of investment and advanced technology. Increased trade and economic cooperation will benefit both sides, especially after a period of years across which each partner's share of the other's market has been steadily declining.

How the Agreement Works

The agreement establishes a framework within which trade and economic cooperation between Canada and the Community can be progressively built-up. The EC-Canada Joint Cooperation Committee will examine the practical possibilities, but much of the execution will be for the private sector. EC-Canada economic cooperation will complement, not substitute for, cooperation between Canada and individual Community member states.

The agreement was designed to encourage closer links between European and Canadian industries especially through joint ventures, greater participation by each side's companies in the industrial development of the other, scientific and technological exchanges, and joint economic cooperation in third countries.

Concerning trade relations, the agreement is non-preferential, based on the most-favored nation principle according to which any concession made to one member of the General Agreement on Tariffs and Trade (GATT) must be given to every other GATT member.

History

The move to tighten relations between Canada and the Community goes back to 1972. The October 1972 summit meeting of the Community members' heads of state or government called for a "constructive dialogue" between Canada and the Community. In November 1972, the Canadian Government sent an aide-memoire to the Community on a possible agreement. The immediate result was the institution of regularly scheduled "high-level" consultations between the Commission and the Canadian Government.

In April 1974, the Canadian Government sent a new aide-memoire to the Community proposing a direct contractual link between Canada and the Community. In September 1974, the Commission sent a communique to the Council of Ministers suggesting an agreement which would create a broad framework for economic and commercial cooperation extending well beyond the field of classical trade policy or the confirmation of existing GATT commitments.

Shortly before Canadian Prime Minister Pierre Elliott Trudeau's visit to Brussels, in October 1974, the Council emphasized how important the Community thought it was to strengthen its traditional ties with Canada and authorized the Commission to hold informal exploratory talks with the Canadian Government. These talks took place in Ottawa and Brussels between February and May 1975. Thereafter, the Commission made formal proposals for the negotiation of a framework cooperation agreement. The Council approved the Commission's negotiating mandate in February 1976. Negotiations began in March and were concluded on June 2.

Canadian Minister for External Affairs Allan MacEachen said today in Ottawa that the agreement provided an understanding that there will be industrial cooperation in the future, would assist the development of Canadian industry, and would open new markets and new sources of supply. By providing for a formal basis for cooperation and consultation, the agreement gives Canada an entry into Europe that it never had before, he said. The contractual link is part of the Canadian search for the "third option", seeking to reduce dependence on the United States, he added.