

NOTES FOR SPEECH BY

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Canadian-German relations and the development of  
Canada's relations with the European Economic Community

1. It is a privilege for me to return to my home town to talk to you today on Canadian-German relations and the development of Canada's relations with the European Economic Community.

2. This past year has been a momentous one for Europe, for the North Atlantic Community and for the world at large. The Four Powers reached agreement on Berlin; the Federal Republic of Germany and the German Democratic Republic have signed a Basic Treaty; treaties between the Federal Republic and the Soviet Union and Poland have come into force; the USA and the USSR signed a Strategic Arms Limitation Agreement; the People's Republic of China has taken its place in the United Nations. The European Economic Community of the SIX formally

became the NINE on 1 January. The nations of Western Europe plus the USA and Canada are currently preparing with the Warsaw Pact countries, a Conference on security and cooperation in Europe. In parallel, talks between members of the Atlantic Alliance and the Soviet Union and its allies, on the subject of balanced force reductions in Europe, should begin at the end of the month.

3. On the economic and monetary front the nations of the Atlantic Community and the Organization for Economic Co-operation and Development (O.E.C.D.) continue their discussion of the major issues, and we now face a strong possibility of constructive negotiations in the GATT in 1973, a concerted effort to revise the international monetary system, and constructive dialogues between the European Economic Community and its principal industrialized trade partners, in particular the U.S.A., Japan and Canada. To use the words of the report of the Organization for Economic Co-operation and Development of last

August by 12 "wise men" chosen from Europe, the U.S.A., Japan and Canada, "in the course of the present decade decisions will have to be taken which will be vital for the future of international economic relations". Indeed, I would go farther. Will détente with the East mean sensible cooperation and competition which we are all striving for - or the further degeneration of Western strength and the theory and practice of democracy? Will the nations of the Organization for Economic Co-operation and Development resolve their fundamental economic and monetary disputes and produce the harmony needed to meet a situation in which the balance of power is shifting?

4. It is against this backdrop, which is subject to all the exciting, but often misleading lighting effects of a theatrical production, that we must look at our relations with Europe. Of course, the trouble is that there is more than one producer, and we are not quite sure who is controlling the lights, not to mention the scenery.

5. Historically speaking we have had fourteen years to contemplate what relationship Canada should have with the European Economic Community. While successive governments have supported the growth of a strong united Europe, they have generally preferred, in accordance with our traditional approach to foreign trade, to deal with the growing economic strength of the Community through the General Agreement on Tariffs and Trade (GATT) and other international bodies, rather than by direct arrangements, although we have, of course, had a mission accredited to the European Economic Community for some years. Advocates of closer relations with the Community have until recently been in a minority. But the entry of the U.K., our second largest trading partner, and the imposition of the 15% surcharge and related measures taken by the U.S. administration in August 1971, modified the views of a good many people both in and out of government and have increased the importance to Canada of closer relations with the Community and its member states.

6. The speech by the Secretary of State for External Affairs to the C.I.I.A. on 18 November is a reflection of this changed view, but as he rightly pointed out, the present government has been making efforts for sometime to create a dialogue with the European Economic Community, and the reference to Canada in the communiqué of the European Economic Community Summit was no accident. Indeed it is significant for our relations with the Federal Republic of Germany and the European Economic Community that Mr. Brandt was a principal protagonist of a dialogue between the European Economic Community and its main industrial trading partners, including Canada. The reasons for the inclusion of Canada by the Chancellor are, I believe, three-fold. First, his Government attaches importance to the continued presence of Canadian Forces in Germany as part of the general commitment to the security of the Atlantic Alliance. Second, his Government recognizes Canada's distinct economic interests and, therefore, that Canada cannot automatically be lumped together with the

U.S.A. in a general economic policy toward North America, and thirdly, as the fourth economic power (after the U.S.A., the U.S.S.R. and Japan) in terms of G.N.P. and the second trading nation after the U.S.A., Germany has an interest in the fourth trading nation of the world - Canada - as a partner in the fields of trade, technology, research and development and as a vital potential partner in trade in the industrial materials and energy resources required by Germany's large industrial base.

7.           The European Economic Community Commission is responsible for the common commercial policy of all its member states in addition to its responsibility for a common agricultural policy. Although the accretion of power to the Commission will be gradual, it is obvious that closer arrangements with the Commission of the European Economic Community in Brussels are increasingly necessary to the success of our objective of close economic and other relations with Europe. If we wish, as the fourth trading nation of the world, to diversify

our trade and investment, the Europe of the NINE is an essential area of interest. First, they have capital to invest, secondly they are collectively, to use a current description, post-industrial societies, and thirdly they can readily pay for their imports without entering into complicated, government-backed credit schemes. Apart from these considerations Canada cannot ignore the world's largest market which could spend \$130 billion on imports from third countries by 1980. In 1971, the NINE imported \$65 billion worth of goods. Canada's share was almost \$2-1/2 billion, which represented 14% of our total exports and almost half our exports outside North America. The enlarged European Economic Community is therefore our second largest trading partner by a considerable margin.

8. 1.8% of our exports went to the Federal Republic of Germany in 1971 (although the figure is slightly higher if we use the German import figure of \$419 million

which includes goods shipped via third countries), against 7.7% to the United Kingdom and 4.6% to the other countries of the European Economic Community. But Canada supplied only 1.2% of total German imports, and our share not only of the German market, but of the European Economic Community market as a whole has declined and our exports have not followed the trend of Community imports towards a greater proportion of manufactured goods. Our lack of success is no doubt partly our own fault.

9. Let us turn to the German case. The German economy is working at full pressure, albeit with mild inflationary pressures. Unemployment runs at a nominal figure of 1%, but 10% of the jobs are filled by over 2 million foreign "guest workers": job vacancies are estimated at anywhere from three hundred to five hundred thousand. In addition Germany lacks raw materials, and it is significant that over 1/3 of total imports from Canada is accounted for by iron, non-ferrous metals, ores, concentrates and semi-

finished products. In practical terms, therefore, a mutuality of interest exists between the German and the Canadian economies. First, because of the shortage of labour, there is a case to be made, and some Germans have made it, for manufacturing more outside Germany. Second, direct German investment by means of joint ventures or other appropriate mechanisms could be made in new secondary industry in Canada, using Canadian raw materials, for supply of the German market. These could be semi-finished or finished products. Such a development would use raw materials in Canada effectively and by further processing here would help to alleviate unemployment. Finally, a secure source of supply of certain raw materials is a matter of interest to any economy which is so dependent on such imports. Security of source, and not merely price, is a factor, therefore, which any German Government must take into account.

10. No doubt there could be many variants in the methods used to develop mutuality of interest between the German and Canadian economies. Should we, therefore, not consider giving much greater attention than we have in the past to the potential of these relations?

11. In terms of other sources of exports, Canada has demonstrated considerable success in the field of high technology and other areas where specialized products with low transport costs are competitive. The conclusions reached at the December meeting in Ottawa under the bilateral Science and Technology Agreement to collaborate through working groups and exchanges in the fields of oceanography, communications satellites, environmental technology, and data processing, are indicative of this trend. Of particular interest here in Toronto may be the arrangements made there to study the possibility of joint research in advanced transportation systems.

12. In general, it can be said, however, that not enough serious effort has been put into looking at the export

market in Europe and in Germany in particular. It is true that the market presents language difficulties; but here I suggest that the Canadian business community should utilize more fully the advantage inherent in our possession of two official languages, and exploit modern language techniques which all serious large enterprises use in training staff for work abroad.

13.           You are, of course, aware that the Department of Industry, Trade and Commerce offers assistance to the extent of 50% of the cost of developing export business under four programs for export market development, covering (a) participation in capital projects abroad, (b) overseas market identification, and marketing adjustment, (c) participation in Trade Fairs abroad, and (d) costs of inviting buyers from abroad to visit Canada. If a firm's application for these incentives is approved, and its efforts are successful, it is expected to repay the assistance extended as a proportion of the export sales which result. Our limited experience has been

that a substantial number of applicants do not submit claims because anticipated business following such trips would call for total repayment. In other words, the programmes appear to be meeting the required objectives, that is encouraging firms to investigate new markets, and, through these trips, new export sales are frequently uncovered.

14.           Apart from Government incentives, which are ineffective without concerted follow-up, I believe that Canadian industry itself could do much more, than it has done so far, through its various associations including in particular the Chambers of Commerce, the Manufacturers Association, the Exporters and Importers Associations, the Canadian Council of the International Chamber of Commerce, to go out and see for itself. Indeed, could not much be learned by such Canadian organizations from the practices of similar bodies in other countries? For example, one lesson to be learned from Europe is that quite disparate industrial sectors

cooperate with each other to further their joint interests abroad. In Canada, industry has tended to follow American methods, but without the scale of corporate dimensions and volume of activities abroad to back it up. In Germany, American firms are in control of some 1,500 enterprises. It is, therefore, easy to have in Germany a local American Chamber of Commerce, which is self-supporting and very efficient in itself, quite apart from government endeavours on policy issues and the very effective activities abroad of the U.S.A. banks. Canada cannot, of course, match this type of organization in the private sector; but the business, financial and industrial community could undoubtedly produce a far more effective combined effort than it does at present. I know that endeavours are being made to make more effective the machinery to work with the Government for the next round of trade negotiations, and discussions in the Organization for Economic Co-operation & Development; surely, more effective and extensive

co-operation is in the interests of the business and labour communities as well as the interests of Canada as a whole.

15.           Indeed, should we not go a good deal farther along the road of cooperation within Canada, and, if so, would we not be more effective abroad? The former German Economics Minister, Professor Schiller, brought to a high pitch the mechanism of what is described as "concerted action". This takes the form of a quarterly sit-in of representatives of government, the Central Bank, industry and the trade unions. In addition, post-war German management has always had a strong element of co-determination in governing boards, where generally one-third of the members are trade union representatives, who participate in all policy decisions. So far, these two mechanisms have served as a pretty effective substitute for confrontation politics in the factory or on the streets, and they have been surprisingly successful, in re-cycling confrontation into cooperation.

16. By comparison and observing the Canadian scene from a distance, it would appear that a close look at such mechanisms in Europe is well overdue. I have the impression - I hope wrongly - that this great, vast and rich land of ours is in danger of losing its substance by excessive introspection. Are we not in danger of being by-passed, simply due to preoccupation with ourselves?

17. Now, ladies and gentlemen, I have tried to suggest to you that one of the things we want and need, is closer relations with the Europe of the NINE, in every field. The NINE are, of course, still part of the Atlantic Community, a concept which has fallen out of fashion. I share the recently expressed view of Jean Monnet, that ultimately people defend civilizations and not nations. Above and beyond our national interests, we share a common civilization with Europe and the Atlantic Community. Mr. Brandt has recognized this clearly, for in the pursuit of his Ostpolitik and détente, he has always considered it would fail without a strong and more

integrated European Economic Community, functioning within a viable world economic and monetary system, and an effective Atlantic Alliance.

18.           The "Homo Atlanticus" of Manlio Brosio cannot survive with a split personality. Canadians should be the first to recognize this, both in our own interests, and in the interests of the Atlantic Community in its widest sense. This does not mean that we should not play our part in the third world, or in the improvement of East/West relations. It merely means that we should be able to do it more effectively.

19.           Let me end my remarks with my favorite fable of Mr. James Thurber: "The Shore and the Sea". There he describes a group of lemmings rushing into the sea to perish, some crying, "we are saved" and some, "we are lost" - except for one solitary scholarly lemming, who, as he watched the others, shook his head sorrowfully, tore up all he had written over the years about his species, and started his studies all over again. The moral which Mr. Thurber wisely

drew for the tale is: "All men should strive to learn before they die, what they are running from, and to, and why".