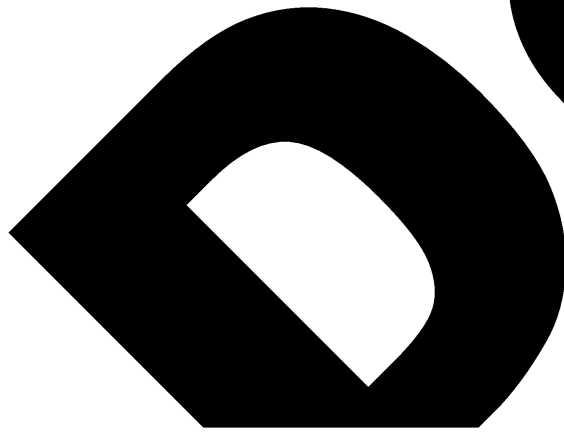


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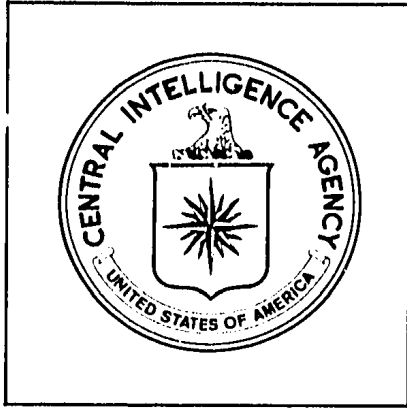


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WESTERN EUROPE – CANADA – INTERNATIONAL ORGANIZATIONS

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Canada, EC Make Progress Toward Link

Canada's desire for some sort of "contractual relationship" with the EC moved closer to reality last week.

In exploratory talks in Brussels on April 7-8, the second round of discussions since October, Canadian and EC Commission officials tentatively settled on a "framework agreement" that would suggest in general terms areas in which economic cooperation could develop. Such an agreement would probably not have an immediate, major impact on Canadian-EC relations.

Canadian and EC officials hope that the proposed watered-down agreement, by avoiding detailed recommendations and commitments, will obviate US reservations over the trade agreement type approach proposed last fall.

The Canadians have reasserted their intention to fill Washington in on the results of the latest round of talks, but there may be some delay while Canadian officials study in depth the implications of this new vehicle for cooperation.

Officials deny that the pact would be an industrial cooperation agreement but admit that such cooperation would be covered as part of economic cooperation. Commissioner Soames commented that Canada wants access to EC technology while the Europeans desire Canadian raw materials.

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A third round of talks will be held later this spring. If all goes well, Commission officials hope to report to the EC Council before the summer recess with recommendations and probably a request for a formal negotiating mandate.



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Dutch Labor Party Divided Over Fighter
Aircraft Replacement Issue

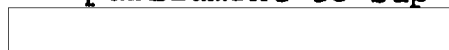
Leftists at the Labor Party Congress last week were rebuffed for suggesting Dutch withdrawal from NATO, but they succeeded in getting the rank and file to take a strong stand in favor of defense reductions. The Congress unanimously passed a resolution endorsing replacement of the F-104 Starfighter with a plane that is cheaper and less versatile than those being considered by the government.

Debate on this controversial issue nearly got out of hand. The leftists bitterly criticized Defense Minister Vredeling, a party member, who had threatened to resign if the party did not support his recommendation. Cooler heads prevented the leftists from forcing a no-confidence vote on Vredeling's conduct as minister.

Most Dutch government officials continue to hope that the four nations in the consortium can reach a common decision on a replacement for their F-104 aircraft. They argue that only the two planes still being seriously considered by the consortium--the French Mirage F-1E and the US F-16--will be acceptable to NATO.

The cabinet, headed by Prime Minister den Uyl, hopes to make its final decision by April 30. The Labor Party's resolution is not binding on the five-party coalition government and the cabinet will probably opt for the F-16.

This decision could be politically costly for den Uyl, Vredeling, and Foreign Minister van der Stoel, who will have a difficult time persuading their Labor Party colleagues in parliament to support such a recommendation.



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British Plans for the Commonwealth Conference

The British hope to start a dialogue between producers and consumers of raw materials at the commonwealth conference scheduled to convene in Jamaica on April 29. The British believe the conference would be an ideal forum because it includes an economic cross-section of the world. In addition, its moderate membership would make it more receptive to proposals by a developed country than would be a larger meeting of the developing countries, such as the Group of 77.

In preparation for the conference, London has just completed an inter-agency study, which has cabinet approval, that concludes, among other things that:

- traditional commodity agreements are not capable of answering current problems, although they should not be discontinued;
- indexation, which would tie commodity prices to the rise in world prices, is generally unacceptable because it is inflexible, inflationary, and difficult to apply to a market economy;
- earnings stabilization appears to be the best way to improve the developing countries' economic situation because this device would avoid rewarding some developing producers while penalizing other developing consumers and it could more readily be directed toward needy countries.

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Foreign Secretary Callaghan told Ambassador Richardson that the British want to use the commonwealth meeting to prepare for further international discussions prior to the UN special session on raw materials scheduled for September. The general problem of north-south relations has been receiving increased attention among European countries in recent months. It was expected to be a major topic at the informal meeting of EC foreign ministers in Dublin this past weekend.

Callaghan said the British plan to consult with the other EC members and the US as well as New Zealand, Australia, and Jamaica prior to the commonwealth conference. British Prime Minister Wilson already has conferred with Canadian Prime Minister Trudeau. Callaghan said that the British would not be dissuaded by the reaction of the EC countries and would be responsive to US views. [redacted]

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Spain and EC in Tiff Over Spanish Opposition Group

A dispute between the Spanish government and the EC commissioners threatens to damage Madrid's efforts to project a liberal image abroad.

The problem first arose in mid-March when the Communist-inspired Democratic Junta was permitted to use EC facilities in Strasbourg for a meeting. Madrid was even more upset that members of the illegal opposition group also had talks on the future of Spain with seven EC commissioners. On their return to Spain, five of the oppositionists were required to turn in their passports. The Spanish government's annoyance was further increased when it received a telegram from five of the EC commissioners who in their private capacity protested withdrawal of the passports. Madrid then instructed its ambassador to the EC to make a formal complaint.

When the Spanish protest was raised before the commissioners on April 7, ten of the 13 commissioners reportedly voted to approve the action taken by the original five in protesting privately about the passport action. At the same time, the incident was reportedly played down in the Brussels publication Europe, which noted that EC Commission President Ortolí and EC Vice President for External Affairs Soames had said that the commissioners had acted on their own.

The Spanish government's handling of this incident has given the fledgling Democratic Junta publicity that will highlight its activities. By privately approving the Junta's use of EC facilities in Strasbourg, a group of EC commissioners, perhaps inadvertently, has helped the Communist-dominated group gain a degree of respectability and importance.



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