

Canada - European Union Trade Relations

The EU is Canada's second most important trading partner. In 1994, Canada's total trade with the EU amounted to \$28.8 billion, compared to \$310.6 billion with the U.S.A. and \$20.8 billion with Japan.¹

Since 1976, Canada's exports to the Union have experienced an average annual growth of 6.4 per cent, totalling \$11 billion in 1994. Since 1985, Canadian exports to the Union have increased by 72 per cent in value. The United Kingdom and Germany are the main destinations for Canadian exports, receiving 28 per cent and 19 per cent respectively.

Canada's exports are concentrated primarily in industrial products, accounting for 31 per cent of all exports to the Union. Forestry products rank second (27 per cent), followed by machinery and equipment (20.2 per cent).

Despite the importance of resource-based exports, the basic composition of sales to the EU has moved in the direction of higher value-added products. By 1994, fabricated materials and end-products accounted for 71.3 per cent of Canadian exports to the EU, compared to 58 per cent in 1978.

Canadian imports from the EU have increased in value from \$3.2 billion in 1976 to \$17.7 billion in 1994, raising Canada's trade deficit with the EU to \$6.7 billion. Since 1985, imports from the EU have increased in value by 71.8 per cent. Machinery/equipment and industrial goods represent the major share of European Union exports to Canada.

Because of the importance of this bilateral relationship, formal agreements exist between Canada and the Union for political and economic cooperation.

The 1976 *Canada-EU Framework Agreement for Commercial and Economic Cooperation* serves to facilitate trade and investment and to encourage various forms of industrial, R&D and technical cooperation.

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seen as a step towards eventual full membership in the European Union.

The European Union has evolved into one of the most competitive markets, significantly influencing global trade and investment patterns. Recovering from the global recession of the early 1990s, the GDP of the EU grew by 2.6 per cent last year. Inflation is steady at 3.4 per cent and the unemployment rate has slowly increased, reaching 10.6 per cent in 1993.⁴ As the Union further unites people and links economies, *the growing single market will provide significant opportunities for Canadian enterprises seeking business abroad.*

1. The EFTA statistics in this article refer to the seven members of 1994: Austria, Finland, Iceland, Liechtenstein, Norway, Sweden, Switzerland. Since January 1, 1995, the EFTA comprises Norway, Switzerland, Iceland and Liechtenstein.
 2. Trade statistics on the EU are found in the IMF Direction of Trade Statistics Yearbook 1994.
 3. Commission of the European Communities, A Level Playing Field for Direct Investment World-Wide, Com(95) 42 final, Brussels, 01.03.1995.
 4. OECD Economic Outlook.

The 1990 *Transatlantic Declaration on EU-Canada Relations* establishes regular high-level political consultations, and outlines both parties' resolve to develop a wider range of consultations in light of mutual interests and the evolution of the EU.

1. The trade statistics in this section are from Statistics Canada, Cat. No. 65-001, December 1994 (Custom Basis).

