



4. OTHER MAJOR MARKETS

4.1 European Union

Overview

The European Union (EU) is the world's largest single market, and the second-most important export market for Canada after the United States. In 1996, Canada's merchandise exports to the EU amounted to \$15.5 billion and imports totalled \$22.7 billion. Canadian services exports to the EU amounted to \$6.2 billion in 1996 and services imports from the EU reached \$7.6 billion. For Canada, the EU is the second-largest source and destination of foreign direct investment (FDI). In 1995, cumulative FDI from the EU amounted to \$36 billion, while Canadian direct investment in Europe had grown to over \$27 billion.

Managing the Trade Relationship

The Canada-EU Political Declaration and the Joint Canada-EU Action Plan, signed in December 1996, strengthen transatlantic ties and set out concrete guidelines on the substance of the trade and economic relationship. The Action Plan calls for several new initiatives, including a joint study on the facilitation of trade and the reduction of trade barriers, and the establishment of a transatlantic Canada-EU business dialogue. The Action Plan builds upon the 1976 Canada-EU Framework Agreement for Commercial and Economic Co-operation that was developed to facilitate trade and investment and encourage various forms of economic co-operation. Regular high level consultations are held in a structure of committee and ministerial meetings established under the Agreement.

In 1996, the EU implemented concessions resulting from the enlargement negotiations with Canada that followed the accessions of Austria, Sweden and Finland to the EU. These included benefits to Canada in the form of an increase in the EU's aged cheddar cheese tariff rate quota (TRQ), the elimination of duties on canary seed, a duty-free 50 000 tonne TRQ for durum wheat, and a duty-free 10 000 tonne TRQ for worked (race-horse) oats. In addition to the specifics of this settlement, a variety of bilateral irritants ranging from the tariff definition of "pizza cheese", to the approval of U.S.-sourced bison meat for further processing in Canada (and subsequent export to the EU), were also resolved.