

The analysis suggests that imports from Europe will rise in the high-tech, high-value added sectors, especially transportation equipment and machinery and equipment. Imports of products from the mining, iron and steel, and textiles sectors would also likely increase. The increase in imports from the EU will displace to some extent imports from other regions. Canadian exports in the machinery and equipment, and transportation sectors would increase strongly as well. Agricultural and processed food exports would also benefit significantly if these markets were liberalized.

Canada's bilateral merchandise trade deficit with the EU has grown over the 1990s, and this study suggests that gap would grow moderately with or without tariff elimination. The study observes that the central provinces of Ontario and Quebec, and to a lesser extent, British Columbia and Nova Scotia, are the provinces that trade the most with the EU. Thus, the benefits of tariff elimination between Canada and the EU would accrue the most to these provinces. The other provinces have limited exposure to trade with the EU, and would likely experience little impact.

Eliminating tariffs on Canada-EU trade would not only affect the bilateral trade relationship, but also would have impacts on our trade with other partners. The study finds that Canada will export between \$0.1 and \$1.0 billion less to other markets in order to meet increased demand in Europe for imports from Canada. Overall Canadian exports to the world would increase between \$2.3 and \$2.5 billion. Likewise, the EU would export somewhat less to other markets, diverting these exports to Canada. EU exports to the world in total are found to increase from \$3.5 to \$4.1 billion.

The study focusses on tariff elimination. It does not examine other important factors, such as non-tariff barriers, investment and services trade liberalization, and rules of origin. Certain sectors, especially those agriculture sectors with quantitative restrictions and prohibitive tariffs, are not adequately handled by the approach taken by the study because of a lack of "history" of foreign trade in their sectors. These special cases need additional, separate research and might or might not alter the findings of the study.