

## Europe

### Western Europe

#### Introduction

With 360 million consumers, Western Europe is the world's largest importer of goods and services, accounting for some 46 percent of world merchandise imports and 52 percent of world imports of business services. With the United States, it is one of the largest, richest and most sophisticated markets in the world. It is the world's leading investor, a pacesetter in scientific research and development, and Canada's most important commercial partner after the United States. Canadian exports to this region are characterized by a high percentage of high value-added goods and a large volume of business services. Seven of our first twelve merchandise export markets are within Western Europe. A market with significant potential for growth, it is also an essential market for small- and medium-sized enterprises.

In 1993, the value of Canada's merchandise exports to Western Europe totalled \$13.2 billion. While there has been a decline since 1988 in exports of certain categories of food, inedible raw materials and fabricated products, there has been a steady increase in exports of high value-added manufactured or end products (totalling \$4.3 billion in 1993), which now represents 32.5 percent of total exports compared with 27.3 percent in 1992 and 25.6 percent in 1988. From 1988 to 1993, pharmaceutical exports grew at an average annual rate of 23.6 percent, followed by printed matter (23 percent), medical equipment and supplies (14 percent), transportation equipment (13.4 percent), machinery (7.8 percent) and telecommunications and related equipment (7.6 percent).

Western Europe is also Canada's second-largest market for business services after the United States. The value of business services exported to

the region increased by 6 percent in 1992 (the latest year for which data are available), to reach a record level of \$2 billion. From 1988 to 1992, exports of such services grew at an average annual rate of 4.5 percent. Over half of Canada's 13 major services export markets are within Western Europe (the United Kingdom, Germany, France, Netherlands, Switzerland, Belgium, Italy).

Western Europe is Canada's second-largest foreign direct investor and the world's second most important destination for Canadian investments. While U.S. companies continue to account for the greatest proportion of existing foreign-owned assets, European investment has accounted for the largest share of the growth in such assets in Canada since 1985. Canadian direct investment in Western Europe grew by 168 percent between 1985 and 1992 to more than \$22 billion, while European direct investment in Canada increased by 114 percent to nearly \$38 billion.

Western Europe is a world leader in science and technology, and a key source for technology partnerships. Europe collectively accounts for about one-third of the world's R&D expenditures, and its industrial competitiveness has been significantly strengthened by its strategic use of science and technology and industrial innovation. More than 300 co-operative scientific projects are under way between Canadian and European public-funded laboratories. Scientific co-operation in the private sector, as a pre-competitive technology access tool, is also very active.

With an average growth of 3.1 percent in tourist traffic over the last five years, 1993 saw the best performance in European travel to Canada since 1988, with an increase of 8.2 percent over 1992. More than 1.8 million Europeans visited Canada in 1993, and spent an estimated \$1.5 billion. This represents the single largest growth rate of any continental market, including the U.S. and the Asia-Pacific region.

Western Europe continues to hold significant new opportunities for all Canadian companies in the short, medium and long term. The increasing