

6. Opening Doors to Europe

European Union

The European Union is now the world's largest single market. In January 2007, the EU welcomed two new member states (Bulgaria and Romania), bringing its total membership to 27 and its population to 493 million.

As a whole, the 27 member states of the EU represent Canada's second largest trading partner after the United States, its second most important source of FDI and its second most important destination for CDIA. The EU is also Canada's second most important source of new technologies and a key partner in S&T partnerships.

Highlights of the trade and investment relationship in 2006 are as follows:

- The EU imports close to 35% of Canada's goods exports (excluding those destined for the United States).
- Canadian goods exports amounted to \$33.6 billion (up 16.2% from 2005), while imports stood at \$42.0 billion.
- Canadian exports to the EU are diverse and include a significant share of value-added products in addition to traditional exports of resource-based products and commodities. Machinery and transport equipment, chemicals, pharmaceutical products, mineral fuels and diamonds are among our leading merchandise trade items.
- Trade in services is significant, with Canada exporting \$12.4 billion in commercial, transport and travel services to the EU in 2006—an increase of 4.8% from 2005—while imports from the EU are valued at \$13.8 billion.

- Key growth sectors of interest to Canada include ICT, telecommunications, aerospace and defence, energy technologies, and environmental products and services.

The EU also represents the second most important source of new technologies to assist Canada in developing its knowledge-based economy. The EU produces over a third of the world's scientific publications and some 20% of patents. It is the top producer of technology in the OECD. S&T cooperation is enabled by government-level agreements as well as agreements between Canadian and European S&T-oriented institutions and businesses.

Although the large EU market offers important commercial opportunities for Canada, it also presents certain challenges. Among these are restrictions by some member states on mergers and acquisitions, market distortions in agriculture, uneven harmonization of regulations for a single market, and a number of EU-imposed bans and restrictions related to health, environmental and consumer protection concerns.

Negotiations for a trade and investment enhancing agreement (TIEA) were launched in May 2005. The TIEA, which was designed to complement improved market access achieved at the WTO, addresses non-tariff trade issues such as investment, trade facilitation, regulatory cooperation and services, as well as government procurement and IPR.

In May 2006, Canada and the EU jointly decided that, given the extensive linkages to the WTO talks, it would be best to pause the TIEA negotiations until the results of the WTO Doha Round of negotiations are known. In the meantime, Canada