



5. *Opening Doors to Europe*

EUROPEAN UNION

Overview

The European Union (EU) is the world's largest single market, having surpassed the United States in both GDP and population. As a group, the EU Member States continue to rank as Canada's second most important trading partner after the United States. Two way trade in goods and services surpassed \$59 billion in 1998. Canada's merchandise exports to the EU amounted to \$17.84 billion, while imports totalled \$25.42 billion. Canadian services exports to the EU amounted to \$7.1 billion in 1998, and services imports reached \$9.2 billion. The EU is also the second-largest source and destination of FDI for Canada. In 1997, cumulative FDI from the EU amounted to \$42.8, while Canadian FDI in the EU grew to more than \$43.7 billion.

Major developments in the EU with implications for Canada include economic and monetary union (EMU), negotiations on enlargement and new regional trade agreements, and Agenda 2000.

EMU is now in the final stage with the introduction of the new currency, the Euro, having taken place on January 1, 1999 (although Euro notes and coins will begin circulating only in 2002). Together with the private sector, Canadian Government departments are helping to ensure that Canadian business is prepared for the changes to come.

Regarding enlargement of the EU, negotiations have been launched on the entry of Poland, Hungary, the Czech Republic, Slovenia, Estonia and Cyprus. Formal accession is expected to take some time. The EU is also negotiating regional free trade agreements with Mexico and South Africa, and plans to do so with the Mercosur countries. Canada will be assessing the impact of these new arrangements on its existing trade commitments with these countries and on the competitiveness of Canadian suppliers and firms in an expanded EU. Regarding Agenda 2000, the Government is monitoring plans for reform of the Common Agriculture Policy and its implications for Canadian exports to the EU and third countries.

Canada-EU trade relations are managed under the WTO agreements as well as the bilateral 1976 Framework Agreement for Commercial and