

CANADA/U.K. COMMERCIAL RELATIONS

Historical ties have created a strong economic relationship between Canada and the U.K. Britain is Canada's third largest trading partner and, by a significant margin, the leading market in Europe. The U.K. is also the second largest source for foreign capital and, after the U.S.A., the most important destination for Canadian investment abroad. In 1982, trade with the U.K. accounted for 3.3% of Canada's total exports and 2.8% of the total imports. Over the past two decades, Canada has consistently registered a significant surplus in our trade with Britain.

During the past two years, economic conditions have led to a decline in two-way trade. In 1982, combined imports and exports fell 20% and this trend has continued into 1983. Despite the added pressure of an appreciating dollar, in comparison to the British pound, exports to the U.K. have not declined as dramatically as imports.

In 1982, Canadian exports to the U.K. fell 19.1% to \$2.7 billion. Fabricated materials, with 48.3% of the total, constituted the largest single component. The balance consisted of food, feed and beverages (20.9%), crude materials (15.2%) and end products (15.5%). Leading commodities included newsprint (\$350 million), wheat (\$269.6 million), softwood lumber (\$169.8 million), iron ore (\$160.4 million), woodpulp (\$142.6 million) and copper and alloys (\$138.2 million). Fully manufactured products were not affected by adverse conditions to the same extent as fabricated materials and declined less than 10% during