

The European Union

Economic growth in the European Union moderated to 1.6 percent in 2001, from more than 3 percent in 2000. In the fourth quarter of 2001, real GDP declined by 0.2 percent, the first decline in almost nine years. Reflecting this moderation in foreign income growth, Canada's exports of goods to the EU fell by 1.5 percent in 2001. The average value of the euro rose by 1.2 percent in 2001 relative to the Canadian dollar, to \$1.39 per euro, after falling by 13.5 percent in 2000 to \$1.37 per euro from the 1999 rate of \$1.58 per euro.

In the case of merchandise, for which comprehensive country information is available, Canada's exports to the key countries in the EU increased over the last decade in all categories (Table 5A). However, these increases over the last decade were smaller than the growth in Canada's overall exports. As a result, the EU's share of Canada's merchandise exports fell from 8.3 percent between 1989 and 1992 to 4.5 percent in 2001. This decline in export share was widespread among all of the principal EU members.

Table 5A: Canada's Merchandise Exports to the EU Economies, 1989-2001

Economies	Average 1989-1992	Average 1993-1996	1997	1998	1999	2000	2001
<i>Level in \$ billions</i>							
Germany	2.2	2.9	2.7	2.7	2.4	3.1	2.9
France	1.4	1.6	1.7	1.7	1.9	1.9	2.2
United Kingdom	3.3	3.6	3.9	4.4	4.8	5.7	5.0
Italy	1.1	1.4	1.5	1.5	1.4	1.7	1.6
Other EU	4.4	4.7	5.6	5.9	6.0	6.6	6.5
EU-15	12.4	14.1	15.4	16.2	16.5	19.1	18.2
<i>As percent of total exports</i>							
Germany	1.5	1.2	0.9	0.9	0.7	0.8	0.7
France	0.9	0.7	0.6	0.5	0.5	0.5	0.5
United Kingdom	2.2	1.5	1.3	1.4	1.4	1.4	1.2
Italy	0.8	0.6	0.5	0.5	0.4	0.4	0.4
Other EU	2.9	2.0	1.9	1.8	1.7	1.6	1.6
EU-15	8.3	5.9	5.2	5.1	4.7	4.6	4.5

Source: Statistics Canada, *Canadian International Merchandise Trade 2001*. Catalogue no. 65-001-XPB, December 2001.

Regional integration in both Europe and North America in the past decade or so has tended to favour intensified intra-regional trade at the expense of trade with the rest of the world. However, it is surprising to note that intra-EU trade as a percent of total EU trade declined substantially from 62.9 percent in 1989-1990 to 57.9 percent in 2000 (Table 5B). Canada's share of imports of the European Union (from outside of the EU) edged up to 1.9 percent in 2000, from 1.8 percent in 1999. This occurred even though the Canadian dollar appreciated sharply against the euro from 0.63 euro per Canadian dollar in 1999 to 0.73 euro per dollar in 2000. Meanwhile, there were notable declines in the share of the EU market accounted for by the United States, Japan and Switzerland in 2000.

Table 5B: Intra-EU Merchandise Trade and Imports from Selected Trading Partners, 1989-2000

	1989-1990	1993-1994	1998-1999	2000
<i>Share of EU-15 Imports from major trading partners (percent)</i>				
Intra-EU	62.9	59.8	60.2	57.9
EU - ROW	37.1	40.2	39.8	42.1
<i>Percentage breakdown of EU-15 imports from ROW</i>				
Total	100	100	100	100
Canada	2.4	1.8	1.8	1.9
U.S.	20.2	19.4	20.3	19.6
Japan	12.1	11.3	9.2	8.5
China	2.2	4.3	5.4	6.2
Switzerland	8.1	7.7	6.6	5.8
Other countries	55.0	55.5	56.7	58.0

Source: International Monetary Fund, *Direction of Trade Statistics*, various issues.