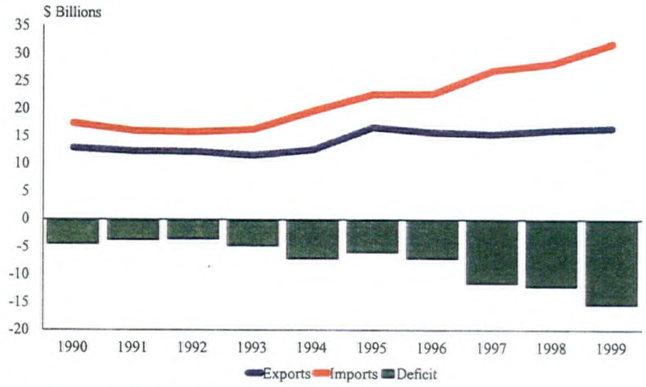
CHART 1

CANADA-EUROPEAN UNION TRADE, 1990 TO 1999



Source: Statistics Canada

The combination of steadily rising imports from the EU and slower growth in Canadian exports to Europe has exacerbated Canada's merchandise trade deficit with Europe over the past decade. Canada's merchandise trade deficit widened some $11 billion over the 1990s, from $4.3 billion to $15.4 billion.

Hand-in-hand with the weak showing of Canadian exports to the European region is the poor overall performance of Canada-Europe trade within the context of overall Canadian merchandise trade. Chart 2 examines Canada's exports to and imports from the EU as a share of total Canadian merchandise exports and imports and plots the trend of these relative shares. Clearly, the importance of the European trade front to Canadian exporters is diminishing. In addition, the EU is becoming less important as a source of Canadian imports. Within this context, Europe's share of Canada's exports is declining at a faster pace than Europe's share of Canada's total merchandise imports. This is easily seen from the growing distance between the two trend lines as they move from the left to the right.

With respect to services (for example, communications services, business services, financial intermediaries, real estate and insurance services, etc.), Canada's two-way trade with the EU increased by close to 80 per cent over the last decade, from $9.8 billion to $17.6 billion. This equates to a 6.7 per cent annual rate of growth in two-way services trade. Canadian exports of services to the EU led the way, more than doubling (up 110 per cent), compared to a 60 per cent increase of Canadian imports of services from the EU over 1990-1999. In terms of rates of growth, Canadian exports of services grew at an 8.6 per cent annual rate compared to 5.4 per cent for our imports of services from the EU. The overall effect has been to reduce Canada's services trade deficit with the EU from $2.1 billion in 1990 to $1.5 billion in 1999 (Chart 3).