

## EUROPE

Europe is the largest trading region in the world and the second most important one for Canadian exporters. With a population of 800 million Europe includes half of the world's 24 largest import markets and six of Canada's 10 best customers; the largest of these being the United Kingdom and the USSR. West Europeans trade mostly with their neighbours but still import more than \$375 billion annually from outside the European Free Trade Zone (EEC plus EFTA). In addition the centrally planned economies of Eastern Europe import \$65 billion each year from western suppliers. Europe purchased 11% of Canadian exports valued at \$8.1 billion in 1983 and is a primary market for a broad range of suppliers located in every province of Canada.

Within Western Europe the diversity of economic development in the mature industrialized north and the newly industrializing south presents market opportunities which match Canadian expertise in every product sector. Western Europe absorbs 8.6% of Canada's exports and on average more than 60% of these goods since 1980 have been in higher value added fabricated materials and end products. Distribution channels and other marketing mechanisms are similar to those in North America and Europe is the most important trade show centre in the world. It also has the attractiveness of being essentially a cash market. The area will continue to play a very important role as a source of revenue and job creation in Canada, including in the tourism sector where receipts from Europe reached \$650 million in 1983.

The USSR is the number one market for Canadian grains and Eastern Europe is the location of the only ongoing export contract for the Canadian nuclear industry. Eastern Europe takes 2.4% of Canadian exports even though market development takes time and patience. Competitive financing packages are an important part of most sales offers as is the ability to meet counterpurchase obligations but the business is profitable. Eastern Europe has reduced Western indebtedness and is now in a position to increase imports faster than the world average. The USSR in particular will remain one of the primary purchasers of large scale capital projects.

The maintenance of fair market access and relief from non-tariff barriers in Europe is an essential requirement for Canadian exporters. Current bilateral and multilateral discussions on access will intensify should there be a new round of multilateral trade negotiations. Canadian firms continue to benefit from various agreements with European suppliers to transfer technology into North America. The area currently supplies 18% of foreign investment equity in Canada and is an important source of debt financing. It is also the recipient of 16% of Canadian direct investment abroad.

Canadian manufacturers should capitalize further on the high level of R & D on the continent. Europe offers many opportunities for technology transfer, debt and equity sourcing and the exposure to a worldwide customer base at specialized trade fairs. The region can also offer attractive partners for joint projects in third countries. Western Europeans offer worldwide marketing expertise and a strong technology base while East Europeans can frequently make joint venture proposals more cost competitive. Companies with new product developments should invest in the European market early on in the product development life cycle to maximize growth opportunities. The region increased imports by more than 12% in 1984 and a continuing improvement in the relative competitive position of Canadian suppliers can be achieved through aggressive long term marketing strategies.