

Recent Changes in Canada-European Trade Patterns

Overview

The contemporary European Union is the result of a process of cooperation and integration which was initiated in 1951 by six countries, leading to the Treaty of Rome in 1957: *Belgium, France, Germany, Italy, Luxembourg, and the Netherlands*. Four waves of accessions (1973: *Denmark, Ireland, and the United Kingdom*; 1981: *Greece*; 1986: *Spain and Portugal*; and, 1995: *Austria, Finland, and Sweden*) have resulted in the present-day European Union with its fifteen Member States. A fifth enlargement is being prepared, this time towards Eastern and South/Central Europe⁶.

The EU is what economists call a common market. In other words, it is an area, or bloc of member states, which has eliminated tariffs and other barriers to trade among its members, which permits the free movement of goods, services, people, and capital internally, and which applies a common external tariff on all imports from non-members.

Of course, the contemporary European Union has evolved from a common market. The central purpose of today's EU is to organise relations between the Member States and between their peoples in a coherent manner and on the basis of solidarity. The main objectives of the Union are: to promote economic and social progress (the single market was established in 1993 and a single currency was launched in 1999); to assert the identity of the European Union on the international scene (through common foreign and security policy, common positions within international organisations, etc.); to introduce European citizenship (to complement national citizenship, by conferring a number of civil and political rights on European citizens); to develop an area of freedom, security, and justice (linked to the operation of the internal market and, more particularly, to the freedom of movement of persons); and, to maintain and build on established EU law (the founding treaties and all legislation adopted by the European institutions)⁷.

The European Union is Canada's second largest trading partner after the United States. Total two-way trade in goods and services was \$65.0 billion in 1999, up from \$39.2 billion in 1990. This represents an expansion in two-way trade of roughly two-thirds over this period, or about a 5.8 per cent annual rate of increase.

Trade in goods between the two regions was fairly steady over the early 1990s; however, starting around 1994, imports from the EU began to rise appreciably. By 1999, import levels from the EU were almost double their levels recorded in 1993. On the other hand, Canadian exports of goods to the EU appear to have only experienced a "step up" from \$12 billion to the \$16 billion level between 1990-1994 and 1995-1999 (Chart 1).