

CANADIAN TRADE WITH THE UNITED STATES

Current account — not seasonally adjusted (in millions of Canadian dollars)				Per cent share of Canada's total exports, imports			
	1984	1985	1986		1984	1985	1986
Merchandise trade							
Merchandise exports	85 026	94 346	95 723	Merchandise exports	75.8	78.5	77.6
Merchandise imports	65 890	73 641	77 288	Merchandise imports	72.0	71.6	69.5
Merchandise trade balance	19 136	20 705	18 435				
Non-merchandise trade							
Non-merchandise receipts	12 642	14 079	15 523				
Non-merchandise payments	24 861	26 147	26 842				
Non-merchandise balance	-12 219	-12 068	-11 319				
Total current account balance	6 917	8 637	7 116				
Capital account — not seasonally adjusted							
Total Canadian claims	-6 189	-5 040	-7 439				
Total Canadian liabilities	3 250	-557	-1 142				
Total Capital account	-2 939	-5 597	-8 581				
				Percentage change in trade balances			
				Merchandise trade			
					84/83	85/84	86/85
				Merchandise exports	28.2	11.0	1.5
				Merchandise imports	25.1	11.8	5.0
				Non-merchandise trade			
					84/83	85/84	86/85
				Service receipts	19.1	11.4	10.3
				Service payments	13.2	5.2	2.7

Western Europe and the European Community

Canada continued to maintain its strong ties with Western Europe. Canadian interests in Europe are pursued bilaterally, under the auspices of the Canada-European Community Framework Agreement for Commercial and Economic Co-operation, and multilaterally, in such diverse forums as the Conference on Security and Co-operation in Europe (CSCE), the Mutual and Balanced Force Reductions in Europe (MBFR), NATO, the OECD, the United Nations and the General Agreement on Tariffs and Trade. Canada participates regularly in the Economic Summits and in Quadrilateral Trade Ministers' meetings and, through these meetings, has reinforced its general bilateral relationships with the United Kingdom, France, West Germany and Italy.

The European Community or Common Market is the principal focus of our trade. The presidency of the EC rotates on a six-month basis through each of the twelve members. The Netherlands, the UK and Belgium held the presidency for the period under review.

Canada's relationship with Europe is based on historic and socio-cultural ties; however it is undergoing considerable evolution, with growing emphasis placed on economic and trade relations.

Trade

The European Community remains the world's largest import market. Imports into member countries from outside the EC in 1985 amounted to US\$477 billion. This compares to US global imports of US\$362 billion. After several years of stagnation, Canadian exports to Western Europe as a whole increased in 1986 by 12.2 per cent to

reach \$9.4 billion, making it Canada's fastest growing export market. This performance is expected to continue into the medium term future, reflecting both the steady growth of Western Europe out of the 1981-82 recession and the return of Canadian-European exchange rates to more historical relative values. Canadian imports from Western Europe have continued to increase at a rapid pace (18.3 per cent in 1986) to reach \$14.9 billion, leaving a merchandise trade balance of \$5.5 billion in Europe's favour. A considerable portion of this was accounted for by a shift to North Sea oil.

Western Europe is a cash market with a demand for high quality products and advanced technology. During this decade, some 60 per cent of Canadian exports to Western Europe have been value-added fabricated materials or end products. Highly sophisticated and competitive trade marketing and investment strategies are required to expand Canadian exports. Western Europe offers considerable potential for industrial co-operation, joint ventures and technological transfer, particularly in emerging industries, but also in manufacturing in general. Canadian firms have found promising markets for agriculture and food products, particularly fish, as well as for informatics and telecommunications equipment, defence and security products, specialized machinery and equipment, aerospace, forestry products, cultural industries, selected consumer products, and minerals and metals.

Western Europe is the most important international trade show venue in the world. In the year under review, the Department organized government and industry participation in 15 major fairs at a cost of \$2.3 million, which resulted in sales for Canadian firms of an estimated \$324 million, nearly 40 per cent of which were to countries outside Europe.