

EUROPEAN UNION

Overview

The European Union is the world's largest single market, having surpassed the United States in both gross domestic product (GDP) and population. As a group, the fifteen EU Member States continue to rank as Canada's second-most important trading and investment partner after the United States. Two-way trade in goods amounted to \$55 billion in 2000. Canada's merchandise exports to the European Union amounted to \$21 billion, while imports totalled \$34 billion. The European Union is also the second-largest source and destination of foreign direct investment for Canada. In 1999, cumulative foreign direct investment from the European Union amounted to \$45.2 billion, while Canadian direct investment in the European Union grew to \$48.9 billion.

Several major trade and economic developments in the European Union have implications for Canada, including economic and monetary union (EMU), market distortions in the agriculture sector arising from domestic support, protective tariffs in certain sectors, the further development of the single market, negotiations on enlargement and new regional trade agreements, and the imposition of EU import bans/restrictions based on its interpretation of the precautionary approach. The European Union will continue to grapple with the question of institutional reforms, which the accession of new members makes necessary if the European Union is to function effectively in future.

The euro is now the official currency of 12 of the 15 EU Member States. On January 1, 2001, Greece became the 12th country to adopt the euro leaving only Denmark, Sweden and the United Kingdom as non-members. Euro notes and coins will begin circulating in 2002. Together with the private sector, the federal government is helping to ensure that Canadian business is prepared for the changes that the euro may bring to trade and investment.

Regarding enlargement of the European Union, negotiations are underway with Poland, Hungary, the Czech Republic, Slovenia, Estonia, Cyprus, Latvia, Lithuania, the Slovak Republic, Malta, Bulgaria and Romania. Turkey is also an official candidate for membership, although negotiations



5. Opening Doors to Europe