

Canada's Second Largest Trading Relationship

Canada has strong ties with Europe. We are allies in NATO and we share numerous diplomatic, cultural, and academic linkages.

In 1976, Canada signed a Framework Agreement for Commercial and Economic Cooperation intended to stimulate trade between our two regions. The results have been mixed: even though the EC is our second largest trading partner, merchandise trade with the EC in 1988 accounted for only 10% of our total world merchandise trade. In comparison, nearly 70% of our trade was with the U.S. Less than 8% of our world exports went to the EC, while more than 70% went to the U.S.

In the past, wood pulp, lumber, iron ore, fish, and newsprint were Canada's top exports to the EC. In a promising trend, office machines and equipment are now our third ranked exports to the EC, with a value of \$515M in 1988. Other export products to the EC that have recently grown significantly are organic chemicals, and aircraft parts and engines. However, to maintain this market and increase sales in other value-added goods Canadians have to prepare for very stiff competition, not only from Europeans, but also from other offshore countries such as the U.S. and Japan.

In terms of our imports from the EC, the top ten product categories, with the exception of crude oil, are primarily value-added items. Airplanes, automobiles, auto parts, and organic chemicals were strongly represented.

Canadian Exports to EC by Commodity (millions of dollars)

	1980	1984	1988
Live animals	10.8	12.2	12.7
Food, feed, beverages and tobacco	1,253.2	885.1	1,059.3
Crude materials, inedible	2,114.6	1,929.4	2,054.7
Fabricated materials, inedible	4,763.4	1,929.4	5,173.3
End products, inedible	1,384.9	1,089.2	2,346.7
Special transactions	0.1	5.2	23.6
Total	9,530.8	6,921.7	10,670.3

Source: Statistics Canada

In the last decade, our exports to the EC have increased only slightly, despite a more favourable Canadian exchange rate. Our share of merchandise imports in the major EC markets actually declined. In 1980, our exports to the U.K. represented 2.8% of the total British import market, in 1988 it was 1.9%. During the same period, in West Germany, France, and Ireland, our share of imports dropped from 1.1% to 0.8%, 0.8% to 0.7%, and 1.3% to 0.9% respectively. In Italy, our proportion fell from 1.0% to 0.7% between 1980 and 1988. While slower economic growth in Europe may be responsible in part for this performance, the figures reveal that Canadians have to be more aggressive in order to capitalize on the opportunities offered by the development of the new Single Market.

Top Ten Canadian Exports to the EC

Top Ten Exports
46.9%



Other
53.1%

Wood, pulp and similar wood	15.5%	Zinc ores, concentrates and scrap	2.6%
Lumber, softwood	6.9%	Organic chemicals	2.3%
Office machines, equipment	4.8%	Wheat	2.3%
Newsprint	4.1%	Aircraft, engines, parts	2.1%
Iron ores and concentrates	4.0%	Nickel ores, concentrates and scrap	2.1%

Top Ten Imports from the EC to Canada

Top Ten Imports
35.8%



Other
64.2%

Crude Petroleum	10.1%	Plate, sheet and strip steel	2.1%
Aircraft, complete with engines	7.2%	Other special industry machinery	1.7%
Passenger automobile and chassis	4.4%	Other beverages	1.6%
Motor vehicle parts, except engines	3.0%	Other end products, inedible	1.6%
Organic chemicals	2.7%	Computers	1.5%