

EUROPEAN UNION

Overview

The European Union is the world's largest single market, having surpassed the United States in both GDP and population. As a group, the 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 and services amounted to \$64.6 billion in 1999. Canada's merchandise exports to the EU amounted to \$18.2 billion, while imports totalled \$17.8 billion. Canadian services exports to the EU amounted to \$8.1 billion in 1999, and services imports reached \$9.8 billion. The EU is also the second-largest source and destination of FDI for Canada. In 1998, cumulative FDI from the EU amounted to \$45 billion, while Canadian FDI in the EU grew to \$46.3 billion.

Several major developments in the EU have implications for Canada, including economic and monetary union (EMU), negotiations on enlargement and new regional trade agreements. The EU will continue to grapple with the question of institutional reforms, which the accession of new members makes necessary if the EU is to function effectively in future.

The EMU is now in the final stage with the adoption of the new currency, the euro, by 11 of the 15 EU Member States on January 1, 1999. 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 EU, negotiations have been launched on the entry of Poland, Hungary, the Czech Republic, Slovenia, Estonia and Cyprus. At the December 1999 EU Summit in Helsinki, a decision was made to begin negotiations with Latvia, Lithuania, the Slovak Republic, Malta, Bulgaria and Romania. Turkey is also declared a candidate for membership, although negotiations with it will begin only after certain political criteria for membership in the EU have been met. The first accession of new Member States is not expected to take place before 2004. The EU is also negotiating regional free trade agreements. To date, agreements with Mexico (November 1999)



5. Opening Doors to Europe

<http://www.dfait-maeci.gc.ca/tna-nac>