

Looking Towards the Future

The past seventeen years have witnessed a substantial growth and diversification in Canada-EC trade although, when measured against the growth of the two economies and the expansion of their foreign trade generally, it is clear that the full potential has not been realized. Of course, bilateral trends have in significant measure been overshadowed by major changes in the global economic environment such as those relating to energy supplies and prices. Moreover, during the period under review, the process of Community economic integration and the development of Canada-U.S. trade flows have been predominant influences. Nevertheless, the growth and diversification which has taken place in Canada-EC trade has provided a broader economic base and made for a more informed partnership for the future. What steps are needed to realize this potential? What factors, both domestic and international, can now be identified as likely to bear upon the future development of this important bilateral relationship?

The role of governments appears to be three-fold: firstly to pursue policies creating a climate which encourages growth and development; secondly, to assist in identifying and making known specific opportunities for cooperation between Canadian and Community firms; and thirdly, to seek to remove constraints or impediments to such cooperation which are identified by the private sector. It is precisely in these ways that the Canada-European Community Framework Agreement for Commercial and Economic Cooperation can stimulate and facilitate entrepreneurial activities leading to increased trade and investments. Small and medium-sized companies in particular may find this action helpful.

Turning to the general economic setting, it is apparent that both the European Community and Canada have reached a state of economic development conducive to a strengthening of economic ties across The North Atlantic. For the last two decades, both market areas have been involved in a rationalization of economic activity on a regional basis. In Canada, corporate and other economic ties with the

United States are extensive and likely to continue to be so. In the Community, moves towards integration and enlargement will continue. However, the specialization and economies of scale achieved on the basis of continental markets have also facilitated a more vigorous penetration of overseas markets generally.

Canada has not moved as far as the Community in this regard because of its much smaller domestic market and because its integration of production on a continental basis has covered a more limited range of industries. Yet Canada has already attained a substantial growth in worldwide exports of certain capital goods indicating a maturing of its industrial base. The need to strengthen further Canada's secondary industry (and overcome small domestic market structural problems) will undoubtedly lead to continuing emphasis on expanding export markets. It will involve greater specialization in sectors in which Canada enjoys increasing competitive advantage.