

Canada the European Union

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This year Canada and the European Union mark a milestone in their relationship: the 25th anniversary of the Canada-European Communities Framework Agreement for Commercial and Economic Co-operation. Since it was signed in 1976, ties—economic, political, cultural and social—have increased steadily in number and scope. Twice-yearly summits punctuate the ever-widening dialogue.

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By their history, Canada and Europe are inextricably linked. As globalization brings them closer together, they must regularly review their contacts to ensure ongoing harmonious development. And as Europe and Canada expand regional linkages, both need to maintain a

transatlantic focus as well. With their shared values, Canada and the EU should continue working together toward common goals.

Economic and trade relations

The European Union is Canada's second-largest trade and investment partner, ranking behind only the United States. That makes it a key contributor to our country's prosperity. The 1976 Co-operation Agreement committed both sides to developing and diversifying commercial exchanges, and it established mechanisms for bilateral consultation. In 1996, Canada and the EU adopted an Action Plan setting out a range of joint objectives in the economic and other spheres. In 1998 they launched the EU-Canada Trade Initiative giving more focus to these objectives, including co-operation on regulations, services, government procurement, intellectual property, competition issues, culture, business-to-business contacts and



At Bonavista, Newfoundland, in 1997, an estimated 20 000 people turn out to welcome the *Matthew*—a replica of the ship that explorer John Cabot sailed to the New World 500 years before, in a voyage that helped open North America to European settlement and trade.

photo: CANAPRESS

electronic commerce. Another innovation is the holding of regular consultations on multilateral trade issues. Canada and the EU have agreed to work together for a new round of World Trade Organization (WTO) negotiations, and for revitalization of the Organization to make the multilateral trading system stronger.

The trade and investment picture

In 2000 the European Union had a GDP of just under \$12.0 trillion. This market of 376 million people could expand to over 480 million if negotiations on enlarging the Union conclude successfully.

Five of Canada's top 10 export destinations are EU members: Britain, Germany, Belgium, France and Italy. In 2000 Canadian exports to the EU were valued at \$18.9 billion and were led by machinery and electrical machinery, pulp and paper, metals, aircraft and aircraft parts, and agricultural (including fish and seafood) products. Canadian imports from the EU totalled \$36.9 billion and were led by machinery and mechanical appliances, mineral products, vehicles and transportation equipment, chemicals, and electrical products.

Six of the top 10 countries investing in Canada are EU members. Europe is Canada's strongest investment partner after the United States. Canada-Europe foreign direct investment (FDI) increased in both directions last year. The flow of Canadian FDI—primarily into Britain, Ireland and the Netherlands—reached \$63.6 billion in 2000, while European FDI flows (including from non-EU European states) into Canada totalled \$85.4 billion. The increases were fuelled by acquisitions, such as Bombardier's purchase of European rail car manufacturer Adtranz and the purchase of Newbridge Networks by French communications giant Alcatel.