

Characteristics of Bilateral Trade

Two-way trade now tops the C\$8 billion mark with Britain enjoying a healthy but declining surplus (C\$1.1 billion) at the present time. Strong U.K. export growth to Canada and new prospects under the FTA are leading to broader business co-operation and expanded U.K. investment interest in Canada.

The U.K. is a major market for Canadian exports with only the U.S. and Japan having larger market shares. The U.K. accounts for approximately 35 per cent of our exports to the EEC. Sales of resource and agricultural products, which traditionally make up 85 per cent of our total sales, remain price sensitive. Canadian exporters seem to have overcome the downward trend that began in the early 1980s due to the higher value of the Canadian dollar and the contraction of the traditional heavy industrial component of British manufacturing. The effects of the EC Common Agricultural Policy (CAP) continue to present a market challenge to those trying to export agricultural products.

Many Canadian exports are exchange-rate sensitive and prospects will vary with currency movements. Over the past two years, opportunities have emerged from significant domestic market restructuring, privatization, modernization and overall economic growth.

There continue to be dynamic prospects for business co-operation in the high-technology/telecommunications sector, with Canadian exports in this area growing at a rate of approximately 15 per cent annually over the past four years. Coupled with this, there is increasing manufacturing by subsidiaries of Canadian firms. Canada is making strides in the area of telecommunications, computers and computer hardware, and selected defence products. There are now over 100 inter-firm agreements to share technology and know-how. This cross fertilization can be vital to Canadian firms seeking to expand into the Common Market, especially as the EEC progresses towards its target of a truly integrated market by 1992.

Exporting to the U.K.

It would be wise to realize at the outset that in Britain things are often not done the same as in Canada. British businesspersons are usually more cautious than their Canadian counterparts. They may need more convincing if for no other reason than their concern about the physical distance between the two countries. While British businesspersons