

exclusive right of initiating EC policies and legislation, it can act only on authority remitted by the founding treaties or by a vote of the Council. The Council retains control of European Political Cooperation, the process of developing and implementing a European foreign policy.

## *Canada — EC Relations*

Member nations of the European Community are, collectively, Canada's second largest trading partner. Two-way trade between Canada and the EC increased 9.7 per cent in 1987 to \$C22.6 billion. While export growth remained very strong (16.7 per cent in 1987), import growth slowed to 5.5 per cent as a result of the appreciation of EC currencies, narrowing our trade deficit to \$C4.4 billion. On the basis of 1985 figures (the latest available), the EC is our second largest source of investment (\$C14.2 billion) and the second most popular destination for Canadian investment abroad (almost \$C6.2 billion).

Canada's relationship with the EC is diverse and dynamic. We are expanding our trade and investment relationship and our successful industrial and scientific/technological cooperation programs. There are problems, of course, particularly in the areas of agricultural trade and fisheries. Canada objects to EC export subsidies that disrupt Canada's domestic and export markets for agricultural commodities (e.g. manufacturing-grade beef and wheat flour respectively), and has difficulty with certain EC veterinary and phytosanitary measures.

The EC, for its part, maintains that the practices of Canada's provincial liquor boards have cost it sales and market share. The EC has also objected to Canada's countervailing duty action on Irish and Danish beef.

In the fisheries sector, differences with the EC centre on the management of fish stocks in waters adjacent to the Canadian economic zone, the closure of Canadian ports, and other measures taken in response to overfishing.

## EUROPEAN COMMUNITIES 1987 SUMMARY OF ECONOMIC INDICATORS

Growth of Real GDP/GNP	2.4%
Growth of Employment	0.9%
Unemployment Rate	11.6%
Growth of Consumer Price Index	3.2%
Current Account Balance (billions of U.S. dollars)	40.7
Nominal Trade Balance (billions of U.S. dollars)	1.2
Total GDP/GNP per Capita (current U.S. dollars)	13,180