

are increasingly trading with themselves (intra-western European trade increased from 27% to more than 33% of world merchandise trade between 1980 and 1990).<sup>3</sup>

Moreover, the European economies have entered a relatively slow growth stage that will likely last to at least the end of this decade. Both DRI/McGraw-Hill and the WEFA Group forecast that Europe will be the slowest growing of North America's trading partners.<sup>4</sup>

On the trade policy front, the Europeans are not the only ones to indulge in trade protectionism nor are they solely responsible for the continuing impasse in the MTN. But the degree of their parochialism on several key issues is striking. The European Community's commitment to building a big, comprehensive MTN package has been considerably less than commensurate with its stake in global markets and growth. The EC's predatory agricultural policy is the most evident and disturbing reflection of this disconnect. There are other examples: a weak overall tariff-reduction offer in areas of major export interest for Canada; and an unwillingness to contemplate major reform of anti-dumping procedures.

The EC has also taken a restrictive stance vis-à-vis a number of bilateral trade irritants with Canada. These include Canadian newsprint quotas, access for our fisheries exports, over-fishing off the Grand Banks (until recently, when the crisis in fish stocks became so grave that even the unreasonable could not ignore it), fur labelling issues, phytosanitary concerns related to the pine nematode, compensation for impairment of Canadian trade arising from earlier EC enlargements, and a satisfactory resolution of Canada's long-term quality wheat access rights into the EC market (an irritant going as far back as 1962).

Canadian efforts to expand the level of western European investment in Canada has met with some success. Foreign direct investment (FDI) stock in Canada from that region more than doubled after 1985, exceeding \$36 billion by 1991. More importantly, the European share of total FDI in Canada increased from 19% to 28% during the same period, accounting for the largest counterbalance to the decline in the

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<sup>3</sup> GATT, *International Trade 90-91*, Vol.II, p.9; André Sapir, "Regional Integration in Europe", in *The Economic Journal*, 102 (November 1992), 1491-1506; Norman S. Fieleke, "One Trade World, or Many: The Issue of Regional Trading Blocs", in *New England Economic Review* (May/June 1992), p. 13. Services trade data are from Cansim and should be treated with some caution given difficulties in recording such trade.

<sup>4</sup> According to recent DRI estimates, during the 1995-2000 period annual real growth in GDP will be 5.2% in both Asia and Latin America compared to 2.8% in Europe as a whole and the EC. The WEFA Group forecasts broadly similar results for 1992-97.