



### *European Union*

Canada's exports to the EU increased 13.8% in 2000, despite a weakening of the Euro relative to the Canadian dollar. This largely reflected strengthened growth in that region.

As most trade occurs between EU members, the EU is somewhat insulated from events in North America. However, financial markets, consumer and business confidence serve as separate conduits for transmission of economic shocks. Growth in the Euro-zone is expected to decline to 1.9% in 2001 and rebound to 2.2-2.4%.

Canadian merchandise exports to the EU remained unchanged through the first nine months of 2001, but are expected to fall short of their 2000 levels. Medium-term prospects will depend on the composition of demand that EU growth will generate. EU investment in high-tech equipment recently reached a level similar to that of the U.S. in 1996, suggesting that the next several years might see Europe outpace the U.S. in terms of both investment and growth.

Some degree of catch-up in both technological uptake and corporate restructuring will result.

### *Asia*

In line with the economic recovery from the financial and economic crisis that hit the region in 1997, Canadian exports to major markets in East Asia staged a marked recovery in 2000. Canadian exports to Japan recovered by 7.6%, reflecting in part the 5% depreciation in the value of the Canadian dollar versus the yen. Canada's exports to the nine other major East Asian economies increased 20%, reaching \$10.6 billion in 2000.

The picture in 2001 was sharply different. With Japan sliding back into recession, exports to that economy were down 5.2% over the first nine months of 2001. Exports fell even more steeply to the technology-exposed newly industrialized economies of South Korea (-18.7%), Singapore (-8.9%), and Taiwan (-16.1%), as well as to Hong Kong (-6.3%). China, however, has maintained a strong internal growth dynamic and Canadian exports to that economy surged 8.6% (following an increase of 40% in 2000). With the exception of Thailand, exports are also down steeply to the Southeast Asian economies.