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## TRADE AND INVESTMENT



# ***Canadian Trade and Investment Activity: Canada–European Union***

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***Canadian Trade and Investment Activity:  
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(Trade and Investment Series)***

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The Library of Parliament ***Trade and Investment*** series provides information on Canada's trade and investment relationship with selected countries. Particular attention is paid to bilateral merchandise trade, trade in services, and foreign investment. These publications are prepared by the Parliamentary Information and Research Service, which carries out research for and provides information and analysis to parliamentarians and Senate and House of Commons committees and parliamentary associations.

## Merchandise Trade

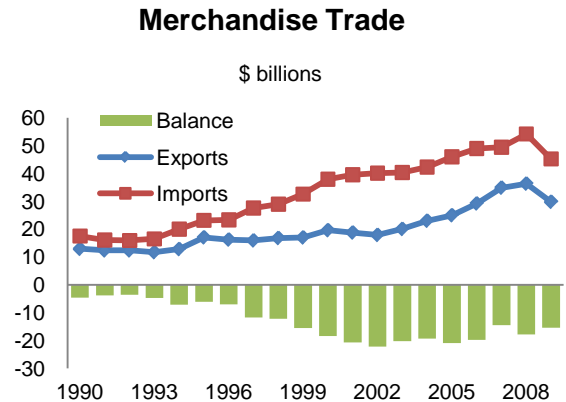
The European Union (EU), taken as a whole, is Canada's second most important trading partner in the world. In 2009, Canada's bilateral merchandise trade with the 27 current members of the EU totalled \$75.0 billion, consisting of \$29.8 billion in Canadian exports to, and \$45.2 billion in imports from, the EU. (Fifteen countries belonged to the EU prior to 2004. Since then, another 12 countries have joined, for a total of 27.)

The EU is growing in importance as a trading partner for Canada, especially as an export destination. From 2004 to 2009, exports to the EU grew at an average rate of 5.3% per year, while Canada's total exports worldwide declined by 2.7% per year over that period.

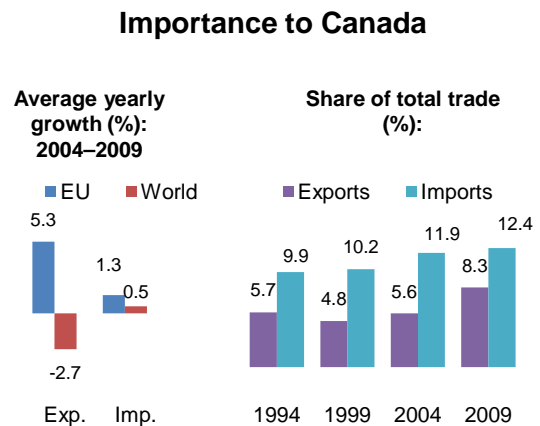
The global financial and economic crisis contributed to a decline in Canada–EU trade from 2008 to 2009. The 17% decrease in imports from the EU from 2008 to 2009 was comparable to Canada's overall decline in imports. The 18% decline in exports to the EU from 2008 to 2009, however, was less than the 26% decrease in Canada's overall exports.

The majority of Canada's exports to the EU originate in the country's six easternmost provinces, which together accounted for nearly 84% of Canada's total exports to the EU in 2009. Ontario and Quebec are Canada's leading exporting provinces to the EU, with total exports in 2009 valued at \$13.1 billion and \$8.5 billion respectively.

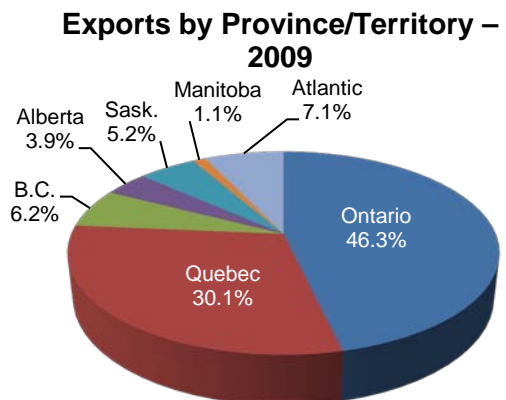
### Figure 1



### Figure 2



### Figure 3



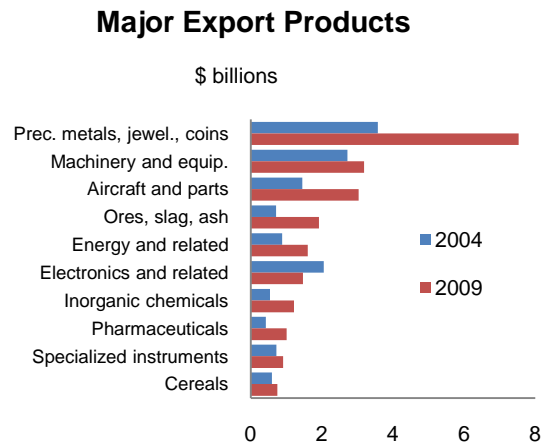
## Products

Canada's exports to the EU are significant. Led by strong growth in exports of gold, uranium and iron ores, resource-based goods make up an increasing share of Canada's exports to the EU, rising from 52% of total exports in 2004 to 56% in 2009. Exports of resources also included diamonds and oil products. Manufactured goods comprise the remaining 44% of Canadian exports to EU countries in 2009, with aircraft and parts, and medications among the major product categories.

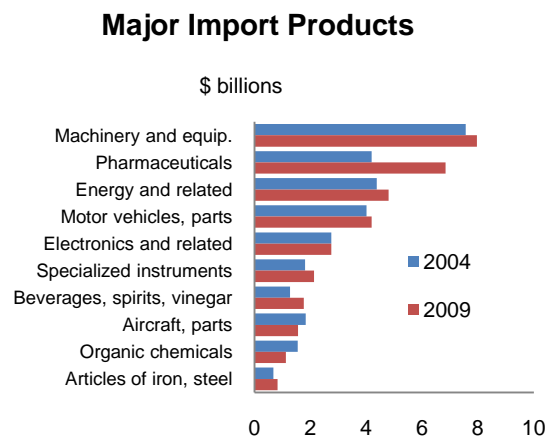
Canadian imports from the EU are comprised largely of manufactured goods, which made up 73% of total imports in 2009. That share remains essentially unchanged since 2004. Major Canadian imports from the EU include medications and blood fractions, crude oil and refined petroleum, motor vehicles, aircrafts and parts, and wines.

In 2009, Canada was a net importer from the EU in most product categories. Only in metals, mines and energy products, and in forest products, did Canada have a small positive trade balance with the EU.

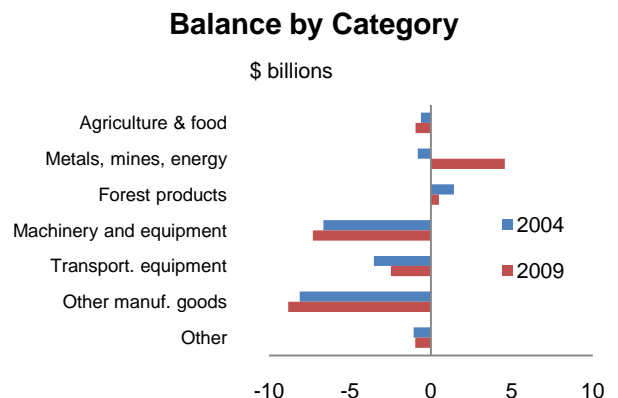
### Figure 4



### Figure 5



### Figure 6



All figures were prepared by the author using Statistics Canada annual figures as of spring 2010.

The merchandise trade data are customs-based; the services trade and foreign direct investment data are balance of payments-based.

## Trading Partners

The United Kingdom (UK) is Canada's largest export destination in the EU. Total exports to the UK were valued at \$12.1 billion in 2009 and accounted for 41% of Canada's total exports to the EU. Exports to the UK have increased considerably since 2004, in part due to growth in gold exports. In 2009, Germany, the Netherlands and France were Canada's next largest export destinations in the EU.

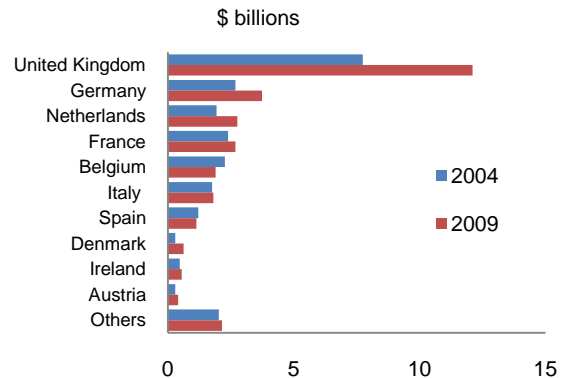
Canada's imports from the EU also originated in large part from a small number of member countries. Germany and the UK were Canada's largest sources of EU imports in 2009. In that year, imports from those two countries were valued at \$10.7 billion and \$9.4 billion respectively, and accounted for 44% of Canada's imports from the EU. France and Italy were the next largest sources of imports in 2009.

EU expansion has not had a major effect on Canada–EU trade. The 12 countries that have joined the EU since 2004 account for a small proportion of Canada's trade with the EU. In 2009, only about 3.5% of Canada's exports to the EU were to the 12 newest EU members, while about 4.7% of imports from the EU came from its 12 newest members.

However, Canada's trade with the newest EU members is expanding more rapidly than its trade with the 15 countries that were EU members pre-2004. Of note is Hungary – growth in exports to, and imports from, that country have been particularly strong since 2004.

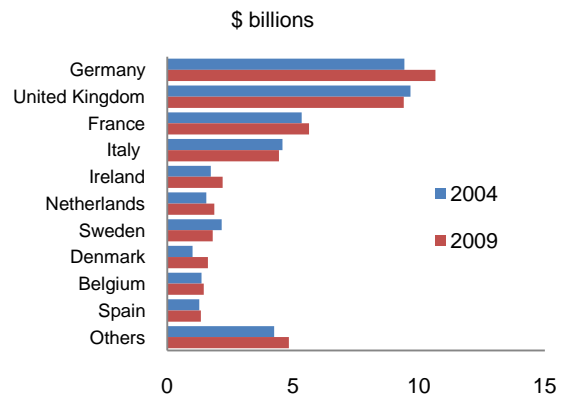
### Figure 7

#### Major EU Export Destinations



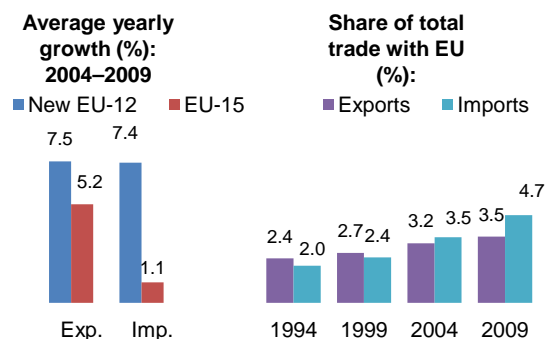
### Figure 8

#### Major EU Sources of Imports



### Figure 9

#### Trade with New EU Members



## Services

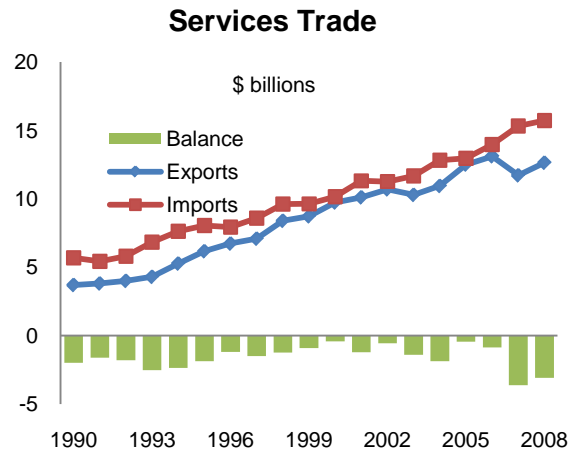
The EU is Canada's second most important trading partner in services in the world. Services exports to the EU in 2008, the most recent year for which data are available, totalled \$12.6 billion, accounting for 18% of Canada's total services exports worldwide. Services imports from the EU countries were valued at \$15.7 billion in that year, representing 17% of Canada's total services imports from around the world. The share of Canada's overall services trade that takes place with the EU has remained largely unchanged since the early 1990s.

Canada was a net exporter of commercial services to the EU in 2008, and a net importer of travel services as well as transportation and government services.

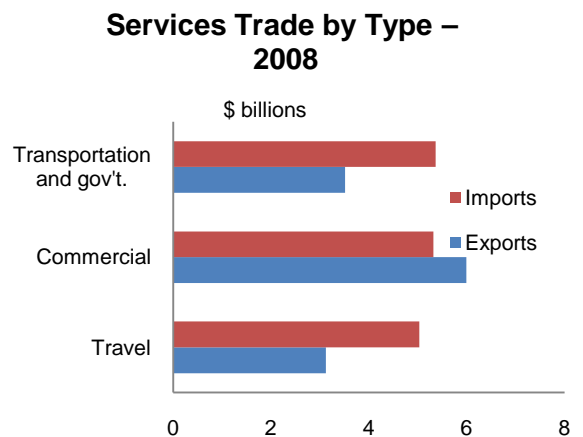
Within the EU, the UK is Canada's largest trading partner in services. In 2007, the UK accounted for 37% of Canada's services exports to the EU and 30% of its services imports.

Canada's fastest-growing services export destinations in the EU from 2002 to 2007 included Denmark, Finland and Greece. Canada experienced relatively rapid growth in services imports from the Netherlands, France, Finland and Greece over that period.

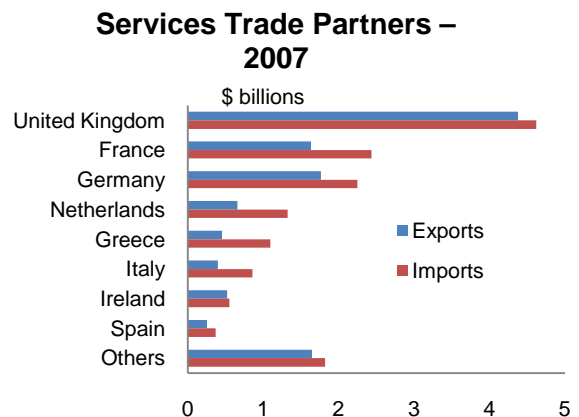
### Figure 10



### Figure 11



### Figure 12



All figures were prepared by the author using Statistics Canada annual figures as of spring 2010.

The merchandise trade data are customs-based; the services trade and foreign direct investment data are balance of payments-based.

## Investment

Taken as a whole, the EU is Canada's second largest source of, and destination for, foreign direct investment (FDI). Canadian direct investment in the EU was \$148.9 billion in 2009, accounting for 25% of Canada's total stock of direct investment abroad in that year.

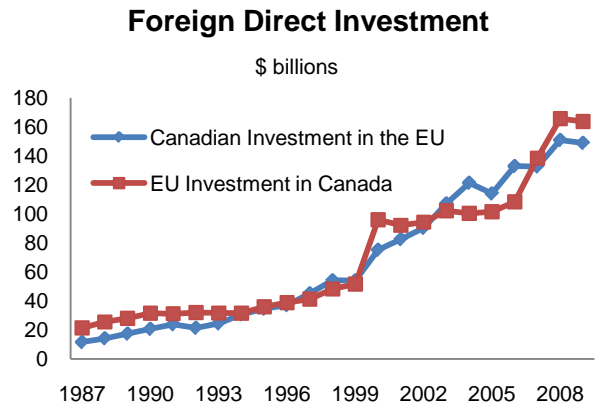
The total value of EU investment in Canada was somewhat higher in 2009 at \$163.7 billion. The EU is the source of about 30% of FDI in Canada.

As with trade in goods and services, the UK is Canada's most important direct investment partner in the EU. In 2009, the UK was the destination for 44% of Canada's total investment presence in the EU. It was also the source of 39% of all FDI from the EU in that year.

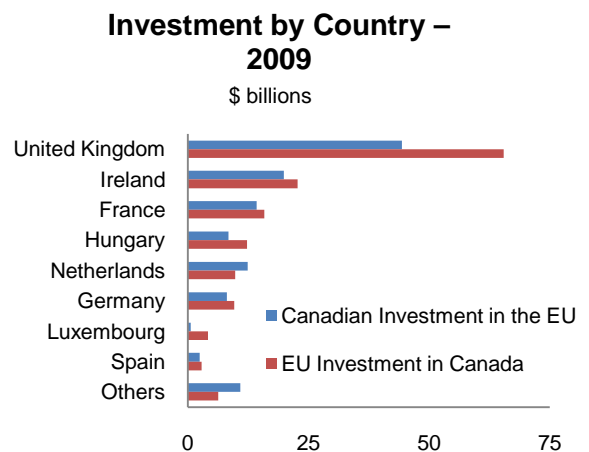
Canada's fastest-growing investment destinations in the EU from 2004 to 2009 were Luxembourg, the Czech Republic, Denmark and Poland. The fastest-growing sources of FDI in Canada from the EU over that period included Austria, Luxembourg, the UK and the Netherlands.

The EU was a net investor in Canada in the energy and mining industry in 2008, the most recent year for which data are available. This was due in part to a relatively strong European presence in Alberta's oil sands. Canada, meanwhile, was a net investor in the EU in the finance and insurance industry in that year.

### Figure 13



### Figure 14



### Figure 15

