



## TRANSATLANTIC RELATIONS: THE USA AND CANADA

The EU, the US and Canada share the values of democracy, human rights, and economic and political freedom, and have overlapping foreign policy and security concerns. The EU-Canada Comprehensive Economic and Trade Agreement and Strategic Partnership Agreement entered into force provisionally in 2017. Negotiations on an EU-US Transatlantic Trade and Investment Partnership were halted in 2017. The Council adopted negotiating directives to eliminate industrial tariffs on 15 April 2019.

### EU-US FOREIGN POLICY RELATIONS

While the EU and the US do not speak in unison on certain foreign policy issues, they remain each other's most important and reliable ally. Their foreign policy bonds have endured over many decades, despite shifting political configurations and geostrategic changes on both sides. The two partners have cooperated closely over the years, consulting each other on their international priorities and often working to advance their overlapping interests in multilateral forums.

However, following the US presidential election of 8 November 2016, many questions and concerns have arisen as regards EU-US foreign policy relations. The EU and the US still cooperate on a number of issues and in several geographical contexts; nevertheless, there has been a change in the US's attitude towards the EU and the transatlantic alliance since President Donald Trump took office.

This shift can be seen in the strongly divergent views expressed by the US and the EU on key issues (such as climate change, multilateralism and fake news) and by the US administration's decisions to withdraw from the Joint Comprehensive Plan of Action (JCPOA), block the appointment of WTO Appellate Body judges and impose tariffs on steel and aluminium imports, which will have an impact on the EU.

Despite these changes in its relationship with the EU, the US continues to be a reliable security partner for a number of EU Member States, as demonstrated by the cooperation among the North Atlantic Treaty Organisation (NATO) allies. President Trump has focused strongly on the NATO budget, demanding that all allies fulfil their commitment to devote 2% of their GDP towards it.



## **EU-US POLITICAL RELATIONS WITHIN THE TRANSATLANTIC LEGISLATORS' DIALOGUE (TLD) PROCESS**

Relations between Parliament and the US Congress date back to 1972. In 1999, their relationship was upgraded and institutionalised with the establishment of the Transatlantic Legislators' Dialogue (TLD). The TLD brings together Members of the European Parliament and members of the US House of Representatives at twice-yearly interparliamentary meetings (IPMs) that alternate between the US and Europe. The 83rd IPM was held in Washington DC in February 2019. A [Joint Statement](#) was agreed at the end of the meeting, highlighting the determination of both sides to enhance cooperation in the face of common challenges. Legislators attending these biannual meetings exchange views on key political issues of mutual concern. While transatlantic views converge in a number of areas, the legislators' exchanges have also exposed divergences on key political issues. The importance of this transatlantic political dialogue should not be underestimated, particularly given the power wielded by the US Congress, for example in authorising US intervention in global crises and shaping US participation in global governance institutions.

### **EU-US economic relations**

Until 2017, EU-US trade relations were dominated by the negotiation of a Transatlantic Trade and Investment Partnership (TTIP). In comparison to its predecessors, the Trump administration has taken a fundamentally different approach to EU-US trade relations. It has prioritised national interests and sought to rebalance trade deficits with other countries, putting pressure on partners by imposing high tariffs on certain products in order to protect its own industries and gain more market access in partner countries. The US administration imposed steel and aluminium tariffs on the EU on 1 June 2018 and has threatened to impose tariffs on cars. At the same time, the US is turning away from a multilateral approach within the framework of the World Trade Organisation (WTO). This new attitude has strained US trade relations with the EU and other partners. The EU has filed a complaint with the WTO against the tariffs on steel and aluminium and in return imposed tariffs on US products to rebalance overall EU-US trade. On 28 March 2019, the WTO Appellate Body published its ruling on Boeing, vindicating the EU's long-held position that the US has taken no steps to comply with WTO rules as far as support to the company is concerned. On 8 April 2019, the Trump administration intensified pressure on the European Union to end what it termed 'harmful subsidies' for the aircraft manufacturer Airbus. It released a list of European goods worth USD 11 billion that could be hit with punitive tariffs in this long-running dispute, creating a negative spiral that would jeopardise a possible bilateral EU-US agreement on mutual tariff reductions. On the EU side, on 15 April 2019 the Council reached an 'agreement in principle' on negotiating directives that will authorise the Commission to start tariff negotiations with the US. At its March 2019 part-session, Parliament did not pass a resolution in support of starting trade negotiations.

In spite of the rhetoric, the combined economies of the EU and the US still account for almost 50% of global gross domestic product (GDP) and one third of world trade. In 2017, the EU maintained its position as the US's largest merchandise trade partner



— ahead of China and of Canada, the US's North American Free Trade Agreement (NAFTA) partner.

The US was the EU's primary export destination in 2018, absorbing 20.8% of total EU goods exports (compared with China's 10.7%). The US ranked second among the EU's import partners, and still supplied 13.5% of the EU's imported goods. In this respect, the US lagged behind China, which supplied 19.9% of the EU's total imports, but was ahead of Russia and Switzerland, which supplied 8.5% and 5.5% respectively.

EU-US trade in goods 2016-2018 (EUR billion)

| Year | EU goods imports from US | EU goods exports to US | EU balance (goods) |
|------|--------------------------|------------------------|--------------------|
| 2016 | 248.8                    | 363.7                  | + 114.9            |
| 2017 | 256.6                    | 376.2                  | + 119.6            |
| 2018 | 267.3                    | 406.4                  | + 139.1            |

Source: European Commission, DG TRADE

The EU's services exports to the US increased between 2015 and 2017, as did its services imports from the US. However, a fall in EU services exports in 2016 led to a EUR 2.8 billion US services trade surplus with the EU, while a fall in US services exports in 2017 led to a EUR 12.5 billion EU services surplus with the US.

EU-US trade in services 2015-2017 (EUR billion)

| Year | EU service imports from US | EU service exports to US | EU balance (services) |
|------|----------------------------|--------------------------|-----------------------|
| 2015 | 215.1                      | 227.7                    | + 12.6                |
| 2016 | 229.1                      | 226.3                    | - 2.8                 |
| 2017 | 223.7                      | 236.2                    | + 12.5                |

Source: European Commission, DG TRADE

The EU and the US are each other's largest investors, but in 2016 and 2017 there were some drawbacks. In both years, US investment inflows into the EU were negative, with a corresponding fall in US inward stocks into the EU, while EU outward flows to the US increased in 2017 after a slight decrease in 2016. This resulted in the further enhancement of the EU positive stock balance, which in 2017 amounted to EUR 385.3 billion. It could be argued that bilateral direct investment — which is by nature a long-term commitment — is the driving force behind transatlantic commercial relations. This is reinforced by the fact that trade between parent companies and affiliates in the EU and the US accounts for more than one third of all transatlantic trade. Estimates indicate that EU and US companies operating on one another's territory provide jobs for more than 14 million people.

EU-US bilateral investment stocks (EUR billion)

| Year | US FDI stocks in the EU | EU FDI stocks in the US | Balance |
|------|-------------------------|-------------------------|---------|
|------|-------------------------|-------------------------|---------|



|             |         |         |         |
|-------------|---------|---------|---------|
| <b>2017</b> | 2 183.9 | 2 569.2 | + 385.3 |
|-------------|---------|---------|---------|

Source: European Commission, DG TRADE

## EU-CANADA POLITICAL DIALOGUE

Canada is one of the European Union's oldest and closest partners. Bilateral relations started in the 1950s on a purely economic basis and have since evolved over the years into a close strategic partnership. The EU and Canada work closely together on global challenges such as the environment, climate change, energy security and regional stability. Canada is a regular contributor to the EU's CSDP missions (such as the EU police missions in Afghanistan and in the Palestinian territories) and also participates in the [EU's election observation missions](#).

The 1976 EU-Canada Framework Agreement for Commercial and Economic Cooperation was the first formal agreement of its kind to be signed by the then European Communities with an industrialised country. This was followed by the Declaration on Transatlantic Relations adopted in 1990, which extended the scope of contacts and established regular meetings at summit and ministerial level.

In 2013-2014, negotiations were conducted with the aim of upgrading EU-Canada relations under a [Comprehensive Economic and Trade Agreement](#) (CETA) and a [Strategic Partnership Agreement](#) (SPA).

The SPA is a political agreement aimed at strengthening bilateral cooperation in a number of foreign policy and sectoral fields, including international peace and security, counter-terrorism, crisis management, maritime security, global governance, energy, transport, research and development, health, the environment and climate change. The SPA was signed by Canada and the EU on 30 October 2016 at the EU-Canada Summit and received Parliament's backing in February 2017. Large parts of the agreement have been in force provisionally since 1 April 2017 and it is now undergoing the respective parliamentary ratification procedures with a view to full entry into force.

In addition to the dialogue between the EU and Canadian executive branches, Members of the European Parliament and their Canadian counterparts meet regularly. Interparliamentary meetings (IPMs) are held annually, supplemented by other interparliamentary exchanges in working groups and between delegations. As well as being a forum for discussing ongoing negotiations, these meetings allow controversial issues — such as the environmental impact of tar sands and shale gas exploitation, fisheries policies and animal welfare issues (including seal hunting) — to be discussed. Parliament's Delegation for Relations with Canada meets regularly throughout the year to prepare the interparliamentary meetings. The 40th IPM took place in Strasbourg in March 2019.

## EU-CANADA ECONOMIC RELATIONS

The Comprehensive Economic and Trade Agreement (CETA) is the result of the positive developments in EU-Canada trade relations that have taken place over the past decade. The negotiations between the EU and Canada on CETA, launched in 2009, were concluded in 2014. The text was signed at the EU-Canada Summit on



30 October 2016 and Parliament gave its consent on 15 February 2017. It now needs to be ratified by the Member States in accordance with their internal constitutional provisions. Provisional application of the parts falling within the EU's competence began on 21 September 2017.

This is the EU's first comprehensive economic agreement with a highly industrialised country. The EU and Canada have opened their markets to one another's goods, services and investments, including public procurement. During the first year of implementation, exports to Canada rose by 7% overall, with higher figures for machinery, pharmaceuticals and agricultural products.

CETA is also the first of the EU's bilateral economic agreements to incorporate a special Investment Court System (ICS) for the settlement of investment disputes between investors and states. Because of its innovative nature and the fact that public debate on it has not been concluded in many countries, the ICS will be beyond the scope of the provisional application of CETA. Moreover, CETA contains a clear statement on the right of governments to regulate for public purposes as regards public health, safety, the environment, public morals, and social and consumer protection.

Both Canada and the EU have been hit by the new US tariffs on steel and aluminium and share the view that the tariffs are neither justified economically nor compatible with WTO rules. As a consequence, the EU and Canada, together with other defenders of the rules-based trade order, have intensified their dialogue on trade issues.

In 2018, the EU was Canada's second-largest trading partner after the US, accounting for 7.6% of Canada's total combined exports and imports of goods. In 2018, the EU exported goods worth EUR 41.4 billion to Canada and absorbed Canadian goods valued at EUR 31 billion. Canada ranked 10th among the EU's international trading partners in 2018. Machinery, transport equipment and chemicals are among the main goods traded between the two partners.

EU-Canada trade in goods 2016-2018 (EUR billion)

| Year | EU goods imports from Canada | EU goods exports to Canada | EU balance (goods) |
|------|------------------------------|----------------------------|--------------------|
| 2016 | 29.0                         | 35.2                       | + 6.2              |
| 2017 | 31.5                         | 37.7                       | + 6.2              |
| 2018 | 31.0                         | 41.4                       | + 10.4             |

Source: European Commission, DG TRADE

Trade in services is an important part of the EU-Canada trade relationship. In 2017, the value of EU exports of services to Canada increased, compared with 2014, to EUR 21.7 billion, and the EU's imports of services from Canada increased to EUR 13.2 billion. Transport, travel, insurance and communications are some examples of services traded frequently between the EU and Canada.

EU-Canada trade in services 2015-2017 (EUR billion)

| Year | EU service imports from Canada | EU service exports to Canada | EU balance (services) |
|------|--------------------------------|------------------------------|-----------------------|
|------|--------------------------------|------------------------------|-----------------------|



|             |      |      |       |
|-------------|------|------|-------|
| <b>2015</b> | 12.6 | 19.4 | + 6.8 |
| <b>2016</b> | 12.1 | 20.2 | + 8.1 |
| <b>2017</b> | 13.2 | 21.7 | + 8.5 |

Source: European Commission, DG TRADE

In terms of foreign direct investment (FDI), the EU has invested more in Canada than Canada has in the EU. In 2017, the EU's outward FDI stocks in Canada amounted to EUR 304.8 billion. Canadian stocks in the EU were valued at EUR 293.0 billion.

EU-Canada bilateral investment stocks (EUR billion)

| <b>Year</b> | <b>Canadian FDI stocks in the EU</b> | <b>EU FDI stocks in Canada</b> | <b>Balance</b> |
|-------------|--------------------------------------|--------------------------------|----------------|
| <b>2017</b> | 293.0                                | 304.8                          | + 11.8         |

Source: European Commission, DG TRADE

Tuula Turunen / Wolfgang Iglar  
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