



## 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

The European Union and the US closely cooperate in a number of foreign policy areas and geographic contexts, such as counter-terrorism, security cooperation, energy cooperation, Russia, Ukraine and the Western Balkans. There has, however, been a change in attitude towards the EU and the transatlantic alliance since the beginning of Donald Trump's presidency in January 2017 and the introduction of his 'America First' approach. The transatlantic relationship currently faces significant challenges. Despite recent divergences on a number of important issues (Iran, climate change, tariffs on steel and aluminium, the role of multilateral institutions and the rules-based order, the appointment of World Trade Organisation (WTO) Appellate Body judges), close cooperation and strategic relations with the US remain a priority for the EU and are key to both partners' security and prosperity. As regards security, President Trump has focused strongly on the North Atlantic Treaty Organisation's (NATO) budget, demanding that all allies fulfil their commitment to devote 2% of their GDP to defence spending.

### 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 biannual interparliamentary meetings (IPMs) that alternate between the US and Europe. It is perceived on both sides of the Atlantic as a good forum for positive and constructive collaboration. Legislators attending these 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. The 83rd IPM was held in Washington DC in February 2019. The [Joint Statement](#) issued after that meeting highlighted the determination of both sides to enhance cooperation in the face of common challenges. The 84th IPM meeting that was scheduled to take place in Helsinki in November 2019 was postponed due to the impeachment inquiry into President Trump by the US House of Representatives.

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

After the suspension of the negotiation of a Transatlantic Trade and Investment Partnership (TTIP), Parliament rejected a draft resolution recommending the opening of EU-US trade talks on both industrial goods and conformity assessment on 14 March 2019, while the Council adopted negotiating directives to eliminate industrial tariffs and conformity assessment on 15 April 2019. 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 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 has imposed retaliatory tariffs on US products to rebalance overall EU-US trade. In addition, the Airbus/Boeing civil aircraft dispute is now in its final stretch. Both the EU and the US have been found to be at fault by the WTO Dispute Settlement Body for continuing to provide certain unlawful subsidies to their aircraft manufacturers. On 2 October 2019, the WTO gave the US permission to levy retaliatory tariffs on up to USD 7.5 billion (EUR 6.8 billion) worth of EU exports. In the parallel Boeing case, the EU will – in some months' time – also be granted the right to impose countermeasures against the US. A preliminary list of US products considered for countermeasures was published in April 2019. The European Commission has consistently communicated to the US that the EU is ready to cooperate on a fair and balanced solution for the aircraft industry. In the EU's view, the mutual imposition of sanctions would only inflict damage on businesses and citizens on both sides of the Atlantic, and would harm global trade and the broader aviation industry at a sensitive time. In July 2019, the EU shared concrete proposals with the US for a new regime on aircraft subsidies and a way forward with regard to existing compliance obligations on both sides.

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.

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, but 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
2017	2 183.9	2 569.2	+ 385.3

Source: European Commission, DG TRADE



## EU-CANADA POLITICAL DIALOGUE

Canada is one of the EU's oldest and closest partners. The collaboration between the EU and Canada has been considerably strengthened in the last few years.

Bilateral relations started in the 1950s on an 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, and are also close partners in the G7 and G20 context. Canada is a regular contributor to the EU's [Common Security and Defence Policy missions](#) (such as the EU police missions in Afghanistan and the Palestinian territories) and also participates in the [EU's election observation missions](#).

In 2011, negotiations were initiated with the aim of upgrading EU-Canada relations under a [Strategic Partnership Agreement](#) (SPA) and a [Comprehensive Economic and Trade Agreement](#) (CETA) in order to replace the already outdated [1976 Framework Agreement](#).

The SPA is the most comprehensive 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. In addition to this, CETA intends to improve the economic, trade and investment relationship between the EU and Canada. 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 since then it has been 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. IPMs are held annually, supplemented by other interparliamentary exchanges in working groups and between delegations. Parliament's Delegation for Relations with Canada meets regularly throughout the year to prepare for these interparliamentary meetings. Besides 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 The 40th IPM took place in Strasbourg in March 2019. During the meeting, members of the Canadian House of Commons and the European Parliament discussed political developments in the EU and Canada as well as trade relations.

## 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)
2015	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

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