

Western Europe is our fastest growing and most important offshore source of direct foreign investment. Out of a total of \$84 billion of foreign direct investment in Canada in 1985, Western Europe was the source of some \$16 billion (compared to \$63 billion originating in the United States and \$2.7 billion originating in the Asia-Pacific region). This represents an increase of 23 per cent over 1982 and 79 per cent of non-US investment in Canada.

Western Europe is a prime source of new technologies important for Canada's own economic advancement. To support the increased priority given to promoting investment into Canada, a structured program of investment and technology development was set in place in many of our embassies in Western Europe. Three investment counselors were hired from the private sector and assigned to our embassies in London, Paris and Bonn. This is in addition to officers already in place and working on investment and technology transfer activities.

EC programs and the European EUREKA initiative confirm that Western Europe is continuing its concerted efforts in the area of technological development based on advanced research. In light of this, Canada has established a \$20 million program to promote partnerships of Canadian companies with European firms in the EUREKA technological development projects, thus supporting their efforts to meet international competition in the high-technology area. In addition, ministerial missions were organized to facilitate research co-operation between Canadian and European companies for technology development, particularly as part of EUREKA.

Immigration

Western Europe is the second highest source of total immigration into Canada and of entrepreneurial immigration in particular. In addition to issuing 17 154 immigrant visas, our posts issued 42 170 visitor visas, and visas for 349 entrepreneurs who invested some \$300 million, involving an estimated 2 600 jobs.

Throughout the year, Canadian posts in Western Europe worked with foreign airlines and airport authorities to find ways to stem the flow of people entering Canada with false visas and forged travel documents. To further control abuse of Canada's refugee determination system, a visitor visa requirement was imposed for nationals of Portugal and Turkey.

With the help of funds from Investment Canada our posts pursued opportunities to promote the entrepreneurial immigration program, and achieved a 36 per cent increase over 1985.

Several posts, especially Rome, Athens and Bonn, continued to process applications from Eastern Europe, the Middle East and Africa under Canada's program for refugees. The refugee target for Eastern Europeans was surpassed and all our posts met or surpassed their target. In all, 4 432 refugees were processed by Western European posts during 1986.

Cultural programs

Canada's relations with Europe are based on strong socio-cultural and historical links; these are reinforced by the Department's cultural and public affairs programs, which also support Canada's foreign policy objectives and its

bilateral relations. Europe contains Canada's main cultural markets; four of the seven countries with which we have signed cultural agreements — France, Belgium, Italy and the Federal Republic of Germany — are in Europe, and formal cultural consultations are held with two other European countries, the United Kingdom and The Netherlands.

The European Community

Canada's relations with the EC during the year under review were characterized by some acrimony over specific bilateral irritants within, however, the context of the broadly positive trade relationship and successful industrial and scientific/technological co-operation programs. This dichotomy arises out of the semi-sovereign nature of the EC: member states have transferred sovereignty to the EC in such areas as trade, agriculture and fisheries, which traditionally account for most of the bilateral irritants, while they retain sovereignty in those areas in which we enjoy bilateral co-operative success (e.g. cultural relations).

During the period under review, the Canada-EC Joint Co-operation Committee (JCC), co-chaired by Mr. Clark and his EC counterpart, Mr. Willy De Clercq, met in Vancouver to review agreed programs of co-operation under the Framework Agreement and to provide direction for future endeavours. The reports of the JCC subcommittees were reviewed and the work plans approved. The direction of future co-operation between Canada and the EC was discussed, with the co-chairmen calling for a report reviewing, in detail, the activities conducted under the Framework Agreement over its ten-year history. These activities have included Canada-EC co-operation in the fields of metals and minerals, wood and paper, uranium, food processing, energy and the exchange of technology information.

Bilateral irritants influencing Canada-EC relations included continued EC pressure for increased access to non-surplus fish stocks and continued fishing activities by EC vessels in waters adjacent to the Canadian zone, with apparent disregard for the question of conservation. The EC expressed concern over Canada's proposed pharmaceutical legislation and the establishment of import monitoring of steel products. EC concerns over the implementation of countervail duty on imported pasta products were laid to rest with a "no injury" finding by the Canadian Import Tribunal. The EC referred to the GATT their complaints on provincial liquor board practices and the imposition of countervail duties on imports of beef.

Canada expressed concern that several actions taken by the EC could have a negative impact on Canadian exports. These included a proposed EC tax on edible oils and fats, to the detriment of the Canadian oil seed industry; proposed EC regulations governing the use of hormones in cattle destined for the beef export market; the application of the EC Third Country Directive which specifies the criteria which meatpacking establishments must meet if they wish to export to the EC; and the difficulty encountered in obtaining access to the Spanish market for Canadian steel. On the positive side, derogations from EC