

reduction in the size of its GATT-bound duty-free quota for newsprint. Following the release of the report of the GATT panel, established to examine the acceptability of the EC action, the two sides negotiated a settlement which provided a level of duty-free access for Canadian newsprint acceptable to the Canadian industry and the elimination, for in-quota shipments except for Italy, of a significant non-tariff barrier.

During their semi-annual consultations, held in June in Brussels and in November in Ottawa, senior Canadian and EC officials reviewed trade and economic issues of mutual interest, including the prospective enlargement of the Community to include Portugal and Spain (formally announced in March 1985) and the Common Agricultural Policy, with specific reference being made to the Community's policies on seed potatoes and meat hygiene. The Community voiced concern over the number of anti-dumping investigations, footwear quotas and provincial liquor board practices.

The Meat Import Act was imposed by Canada on January 1, 1985, to curtail the surge in the volume of beef imported into the Canadian market from highly subsidized EC sources. Negotiations continued with the EC in an attempt to resolve the issue so that retaliation would be avoided and the Canadian livestock industry would be safeguarded from unfair and damaging import competition. In the same vein, ongoing negotiations determined the level of compensation required to satisfy the EC for what it perceived to be lost sales resulting from Canada's quota on the importation of footwear.

On March 12, 1985, the GATT Council agreed to a request by the EC to establish a panel to examine the practices of the provincial liquor boards to determine whether their actions are inconsistent with Canada's obligations under GATT. Ongoing discussions have been held with the EC in an attempt to resolve this issue.

Canada's relations with the Community continued to be affected by differences with regard to the seal hunt. In June 1984, the government announced the establishment of a Royal Commission to examine all aspects of seals and sealing, including the social, cultural, ethical, scientific and economic implications.

The Canada-EC Sub-Committee on Industrial Co-operation (SCIC) sponsored a Rational Use of Energy mission which brought several EC industrialists to Canada. Opportunities for collaborative ventures were identified, among them an energy-saving/efficiency program operated by a Montreal company, a possible geothermal district heating project in Alberta, a wind power scheme in Ontario for use in joint ventures with EC firms in developing countries and a high-powered continuous laser project in Alberta for pipeline welding applications. By the end of March, planning was well underway for a Machinery Technology Transfer/Joint Venture mission, also under the sponsorship of the SCIC, to examine the possibilities of increased industrial co-operation between Canadian and European manufacturers of industrial and resource machinery and equipment.

The last meeting of the General and Preparatory Co-operation Sub-Committee, which took place in December 1984 in Brussels, dealt with co-operation in the area of science and technology and policies especially related to the transfer of technology from laboratories to industry.

United Kingdom

The United Kingdom continued to be Canada's third-largest trading partner and second-largest customer for manufactured products. Two-way trade with Great Britain increased by 10 per cent to \$4.8 billion in 1984, with Canada having a surplus of \$125 million. At least one-third of Canada's exports to the European Community were for the UK market.

Regular consultation on political and economic subjects continued at a high level throughout 1984, culminating in the visit to London in December of the Secretary of State for External Affairs. The Minister for International Trade, the President of the Treasury Board and the Ministers of National Defence, the Environment, Regional Economic Expansion and Multiculturalism also made official visits to London following the election of the new government, and inter-parliamentary relations were highlighted by the visit to London of the new Speaker of the House of Commons, the Honourable John Bosley. There were numerous other contacts during international meetings as well as individual initiatives by the Department. These included commercial initiatives, most notably several trade missions, as well as cultural activities.

Canada-United Kingdom relations were the subject of a colloquium in Halifax in May 1984, organized by Dalhousie University with the support of External Affairs. The Secretary of State for External Affairs attended, as did the British Minister of State for Foreign and Commonwealth Affairs. The colloquium brought together academics, business people, parliamentarians and officials from both countries.

The operations of the Canadian High Commission in London were reviewed by a resource review team from the Department. As a result, both operations and personnel deployment at the High Commission have been rationalized and streamlined at a considerable saving to the Department.

Federal Republic of Germany

Trade with West Germany, Canada's fifth-largest trading partner, increased significantly in 1984 after declining in 1983. Although the Canadian dollar was stronger, Canadian exports increased 6.2 per cent over 1983 to \$1.22 billion, while German exports rose by 38 per cent to \$2.17 billion. The West German Ministry of Defence purchased seven Challenger aircraft from Canadair, thus helping to increase the percentage of finished and high technology products among overall Canadian exports.

The links between Canadian and German companies in the industrial field increased. The Department encouraged a high-level meeting of business people and bankers from both countries at Niagara-on-the-Lake in June 1984, and this group is scheduled to meet again in Germany in the autumn of 1985. Ministerial visits were also important in relations with Germany, which was visited by the Ministers for International Trade, Regional Industrial Expansion and Fisheries and Oceans, the Minister of State for Tourism and the President of the Treasury Board.

With regard to Canada's commitment to NATO, greater co-operation in defence matters continued to be encouraged. Joint undertakings to develop products that will benefit Canadian technology and long-term exports continued.