

economic and political integration of Western Europe, combined with the growing economic interdependence of East and West, guarantees Europe's vital role in Canada's trade, investment, and science and technology profile.

Business Environment

Western Europe, like North America, is gradually coming out of a recession. Four of the G-7 countries (the United Kingdom, Germany, France and Italy) are located in Western Europe. According to the OECD's GDP projections, all four economies are expected to grow between 2 percent and 3 percent in 1995. Although this growth may be smaller than that of some other markets, it represents significant additional potential for Canadian exporters because of the sheer size of these economies. For example, a 2.5-percent increase applied to the German GDP of \$2.5 trillion represents \$62.5 billion. It is expected that such growth prospects will also spill over to other Western European economies, while other emerging markets such as Turkey are expecting growth rates of 7 percent or 8 percent.

Western Europe's stable and democratic governments, market economies, high per-capita incomes, and rules-based trading systems will continue to mean lower-risk markets to potential Canadian exporters and investors, particularly SMEs. This should be further enhanced with the ratification of the WTO Agreement in January 1995 as a result of the GATT Uruguay Round negotiations.

The emergence of a confident and inward-looking European Union as a dominant political and economic player puts increased strain on the traditional Europe-Canada relationship. The central challenge for Canada is to counteract this growing Eurocentrism by strengthening its ability to influence the EU trade agenda and legislative initiatives.

The consolidation of the single market and the recent enlargement of the EU also present great challenges to Canada: tougher competition;

non-tariff barriers; and competition with Canada for foreign investment. On the other hand, the single market will promote growth and stimulate demand for imports, creating greater opportunities for Canadian business.

Market Opportunities

Western Europe offers major market opportunities for Canadian exporters. Through an extensive program of fairs and missions, the NEXOS (New Exporters to Overseas) program, mission-initiated activities, and the tourism promotion program, it is expected that more companies will recognize this potential and act upon it. A detailed list of opportunities by country follows.

Despite a more competitive world environment, Canada continues to be an attractive investment destination for Western Europe's chief executive officers. Through such initiatives as DFAIT's Corporate Liaison Program, new investors will be identified, along with those who require assistance with their investment plans. Other activities on a regional basis include roundtables, support for incoming companies and investment missions, and the promotion of Canadian investment opportunities in Europe, in a NAFTA context, through public events and through high-profile Canadians visiting key European cities.

Strategic alliances between Canadian and Western European companies in selected high-technology areas will be continued in such value-added sectors as software, biotechnology, wastewater, lasers and opto-electronics, medical devices, food packaging, solid waste management, telecommunications, ocean technologies, geomatics, air pollution, agri-food, microelectronics and industrial automation.

Through DFAIT's Technology Inflow Program (TIP), the Government will continue to promote technology acquisition and transfer between Canadian and Western European companies, in consultation with the National Research Council of Canada. Other activities on a regional basis include support for incoming companies and